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STRATEGIC MARKETING PLAN FOR NORTON COMMUNITY CREDIT UNION

A Project
Presented to the
Faculty of
California State University,
San Bernardino

In Partial Fulfillment
of the Requirements for the Degree
Master of Business Administration

by
Valerie Sue Spiro
December 2001

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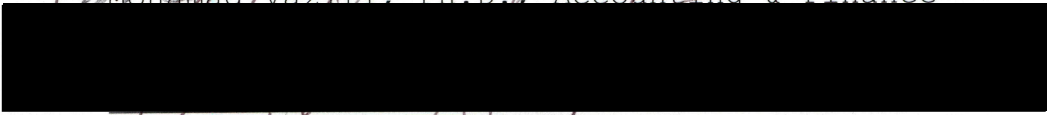
by
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December 2001

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ABSTRACT

Norton Community Credit Union exists to improve its members' financial lives. This strategic marketing plan and the marketing objectives for 2002 was developed with the members-owners' interests in mind.

Information was gathered from the members through a comprehensive member survey to determine: 1) The level of satisfaction with the service we provide; 2) Members' opinions and use of current credit union products; 3) The level of importance of different products and services; 4) Areas of strength-what we are doing right; 5) Areas for improvement-what do we need to do; 6) Suggestions for new services.

As a result of this survey, and other data gathered from current members, and industry information, the 2002 Strategic Marketing Plan focuses on: 1) Increasing member education through education sessions and improved communications; 2) Increasing member awareness of convenience services including CU Services Centers (branches), the CO-OP ATM Network, and Internet Banking; 3) Increasing business development activities within the community; 4) Increasing "share of wallet" with current members of the credit union.

By developing and implementing this strategic marketing plan that is designed to serve the members' needs, the credit union can improve member satisfaction, retain current members, and remain competitive in the community and in this fiercely competitive environment.

ACKNOWLEDGMENTS

Thank you to my husband, Scott Spiro, for all your support and encouragement during the last 18 months—I couldn't have done it without you.

Thank you to Norton Community Credit Union, Debra Gannaway and staff for providing me with the resources, time and money to reach my goal.

Finally, thank you to Dr. Nabil Razzouk for your enthusiasm, support and tireless encouragement during the Executive MBA program.

DEDICATION

To Scott Spiro

To Debra Gannaway

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CHAPTER ONE

BACKGROUND

Introduction

Norton Community Credit Union (NCCU) was chartered on March 23, 1943. The credit union was established to serve as a savings institution and create a source of credit for the military personnel stationed at Norton Air Force Base.

After the Norton Air Force Base closure in 1994, the credit union began strategically adding Select Employer Groups (SEGs) to its field of membership. In July 2000, the state regulator the Department of Financial Institutions approved a proposal to expand the credit union's field of membership to individuals who live, work or worship in San Bernardino County.

With the original field of membership, over 40 SEGs, and the ability to serve the needs of individuals in San Bernardino County, Norton Community Credit Union has grown to over \$179 million in assets, with over 17,000 member-owners. NCCU currently has three branches located in San Bernardino, Redlands and Highland to serve the credit union's members' needs.

Statement of
Problem/Opportunity

Prior to October 1998, Norton Community Credit Union was operating marginally, at best:

- Staff was underpaid and poorly trained to do their jobs
- The data processing system was archaic and fragile
- Branches were small, crowded, and unprofessional in undesirable locations
- Many processes were completed manually
- Products and services were limited and inefficient
- Service to members lacked responsiveness
- Growth in members and assets was non-existent
- Marketing and advertising was non-existent

Although there were many challenges, there were also many opportunities for the future. Norton Community Credit Union had:

- Members who had significant deposits and low incidence of loan defaults
- A Board of Directors who were committed to leading the credit union to growth, expansion and success

- Staff who were dedicated and willing to grow and learn, if given the opportunity
- Strong capitalization—it could afford to invest in systems and infrastructure as well as to expand services to new markets

Several of the problems with Norton Community Credit Union were the lack of knowledge of members' needs, lack of ability to communicate with members, and the lack of ability to attract new members.

Need for Study

Prior to my joining the staff of Norton Community Credit Union in May 1999, the credit union had never had a strategic business plan, a person dedicated to performing the marketing function or a strategic marketing plan.

The purpose of this project is to develop a comprehensive, strategic marketing plan for Norton Community Credit Union. Primary data was gathered from existing members of the credit union, as well as secondary information from periodicals, journals, etc.

In order for the credit union to grow and thrive, the following questions must be answered in the project:

- Who are the credit union's current members?
- Who are the members of the future?

- Who is the competition?
- What are the credit union's strengths, weaknesses, opportunities and threats?
- What are the marketing strategies?
- What are the marketing objectives?
- How can the credit union increase its share of the market?

Scope and Limitations

This marketing plan details how the marketing function will be performed during the 12-month period that begins on January 1, 2002. This marketing plan will support the credit union's purpose of "Improving Members' Financial Lives," the core service values, and the 2002 business plan of Norton Community Credit Union. Some assumptions will be made in the area of budget and general goals due to the fact that:

- Norton Community Credit Union's 2002 business plan must be developed by the board of directors in December 2001, and
- Norton Community Credit Union's budget will not be proposed or approved until December 2001 or January 2002.

Methods and Procedures

A random member survey was conducted by mail to determine members' attitudes about the credit union, and their product and service needs in order to retain their valued business, and increase our "share of members' wallet." This information will be valuable in serving the members better, and ultimately helping the credit union attract new members.

In addition, Dorado Data's Navigator Marketing Customer Information File (MCIF) was used as a secondary research tool—including member demographic data. The MCIF was used to:

- Segment members into five unique segments:
 1. Fee based (members who do not participate or use the credit union—zero or negative profitability),
 2. Top members (top 5% of participating members),
 3. Upscale members (participating members age 35-54),
 4. Mature members (participating members age 55 and older), and
 5. Young creditor (participating members age 35 and younger).

- Profile members to determine their possible needs
- Target promotions to members who would be most likely to use a particular product or service
- Measure profitability of products and members
- Make pricing decisions
- Manage a product and service mix

In addition, research from the California Credit Union League (regarding non-member attitudes), periodicals, books and the Internet were used to develop the marketing plan.

The following is an outline of the Strategic Marketing Plan for Norton Community Credit Union:

Background

- I. Corporate Culture
- II. Mission Statement
- III. Business Goals

Survey Presentation

- IV. External Analysis
 - a. Member Analysis
 - b. Competitor Analysis
 - c. Market Analysis
 - d. Environmental Analysis

Core Service Values. The unwavering Core Service Values are as follows:

- Honesty and Integrity
- Respect and Caring
- Responsiveness
- Consistency
- Providing Value
- Serving a worthwhile purpose

Honesty and integrity is valued above all and maintained both in the delivery of service to the members. The credit union "does the right thing," and gladly tells members the truth. Respect and caring is demonstrated with both internal and external members. Being responsive to members and each other is critical to business and the ability to serve members and the community. The credit union provides products, services, information and education that are of value to members. Improving members' financial lives and employees' careers helps Norton Community Credit Union serve a worthwhile purpose.

Business Goals

The following outlines the business objectives for 2002:

- Be a community focused financial service provider

- Offer excellent rates on auto loans and responsive service
- Pay in the 90th to 100th percentile on savings and certificates
- Enhance our already strong web presence by providing the ability to open additional accounts, place stop payments and receive instant loan approval
- Be a source of educational and financial information through our web site, staff, MEMBERS Financial Services, and the MEMBERS Financial Services Representative
- Attract, recruit, and retain high quality employees
- Invest in life-long learning
- Begin a shift to a sales culture with focus on training, product and service knowledge, cross selling, etc.
- Continue to enhance member communication and education
- Enhance our Business Development efforts
- Continue to be a good corporate citizen in the community
- Increase community involvement

CHAPTER TWO

SURVEY PRESENTATION

Data compiled and the raw results from the Member Survey conducted in October 2001, can be found in Appendix A. Surveys were randomly mailed to 1,836 members over the age of 18. A total of 397 completed surveys were returned, which is a 21% response rate.

The following results from the Member Survey provides the credit union with valuable information about who its current members are, what is their current level of satisfaction with the credit union, what services are important to members, and what do they want from us in the future.

According to the results of the survey: 20.9% of respondents have been members of Norton Community Credit Union for less than three years; 8.3% for three to five years, 10.1 % for six to 10 years; 58.4% for more than 10 years, and 2.3% did not respond. Since the Norton Air Force Base closed in 1994, it makes sense that the number of members who joined the credit union is lowest between three to ten years.

Of the members who responded, 54.4% are very satisfied with the service provided at Norton Community

Credit Union; 39.3% are satisfied, 2.8% are dissatisfied, 1.3% are very dissatisfied, and 2.3% did not respond. This means that 93.7% of members are satisfied or very satisfied. Members who were dissatisfied or very dissatisfied, are generally dissatisfied because they did not get approved for a loan, did not meet the credit union's lending criteria or did not like the recent decrease in savings rates (due to market rates decreasing).

When asked how respondents' level of satisfaction has changed over the last 12 months, 32.2% indicated that their satisfaction increased. For 58.9% it has stayed the same, and for 5.5% it has decreased; and 3.3% did not respond.

The following characteristics were very important to respondents when doing business with Norton Community Credit Union:

- Accuracy in completing transactions (80.1%)
- Low cost/low fees (74.1%)
- Security/safety (72.8%)
- Competitive savings rates (69.5%)
- Friendly/knowledgeable staff (63.5%)
- Competitive loan rates (59.7%)
- Convenient locations (57.9%)

- Low cost/free checking (56.7%)
- Quality telephone service (54.4%)

When asked which branch members visit the most, 18.4% visit Highland; 21.2% visit Redlands; 37% visit San Bernardino; 2% visit CU Service Centers; 20.2% don't visit branches; and 1.3% did not respond. As marketing efforts increase regarding CU Service Centers, traffic in Norton Community branches and members who currently do not use branches, could shift to more convenient CU Service Centers within our community (Fontana, Rialto, Yucaipa, etc.), and nationwide.

When asked if members have access to a personal computer/Internet, 63.5% have access, while 35.8% do not. 1% did not respond. When asked if members used their personal computer/Internet to access their NCCU accounts or pay bills via Internet 24, 15.6% responded that they do; 51.1% responded that they don't; and 33.2% did not respond. When asked why not, those who responded said they did not need. Trust and security were other reasons. Marketing efforts will increase in 2002 regarding the benefits of Internet 24 and bill payment-including a huge focus on security issues. With such a high percentage of personal computer/Internet usage, opportunities exist to

increase Internet 24 and bill payment usage, and education will be the key.

When asked how members conduct financial business and/or transactions with Norton Community Credit Union, 62% use branches; 37% use the telephone to speak with employees; 35.5% use Direct Deposit or automatic payment; 20.7% use ATMs. The least used delivery channels were: Telephone (Audio 24)-13.6%, Internet Banking (10.8%), Mail (2.8%).

When asked who do members receive a majority of financial information/education from, 32.2% responded Norton Community Credit Union; 22.7% other; 15.6% Bank; 11.3% Brokerage company; 5.8% Internet; 5.5% No Response; 3.8% Insurance company; 3.0% Auto Club. Of "other" sources given, the newspaper was the highest response.

When asked how members would rate Norton Community Credit Union as an unbiased source of financial information or education, 21.9% responded Excellent; 46.1% were neutral; 1.3% responded Poor; 25.4% didn't know; and 5.3% did not respond. Member education efforts will be improved next year and beyond to increase awareness of the financial information and education that we offer to our members.

A comprehensive list of what members like "most" about the credit union, and "least" about the credit union are shown in Appendix A. These are the responses that were mentioned most often:

Aspects-Like Most:

- Staff (84 responses)
- Service (54 responses)
- Rates (40 responses)
- Location (38 responses)

Aspects-Like Least:

- Location (61 responses)

Responses to the question regarding enhancements to services at Norton Community Credit Union are shown in Appendix A. Some of the requests for services that will improve members' financial lives include:

- More branch locations (Fontana, Riverside, North San Bernardino)
- More ATMs
- Expanded hours

In addition, detailed demographic information about the respondents is shown in Appendix A.

CHAPTER THREE

EXTERNAL ANALYSIS

Member Analysis

The following table summarizes the credit union's Household Relationships according to the Marketing Customer Information File (MCIF).

Total Deposit balances have increased by \$42.2 million over the previous year due to lack of consumer confidence in the economy and the stock market. Because of this, members have been placing their funds in more secure investments—money market accounts and share certificates. In addition, the Excess Share Insurance product offered through American Share Insurance insures members' deposits up to \$350,000. This has significantly helped the credit union attract a lot of new money from new and current members.

In 2001, loan balances have increased at a much slower pace than in 2000 due to consumer confidence in the economy, tightening of the lending criteria for Credit Union Direct Lending through participating dealerships, and decreased opportunities to participate in other credit union's auto or real estate loans.

The average profit per household has increased as the average deposit per household increased by \$2,355 per household. Balances have a direct relationship to profitability—the higher the balances, the higher the profitability. The Services per Household have decreased slightly to 1.91. Many of the Credit Union Direct Lending (CUDL) members are eligible for membership based on their auto loan with us; so many of them have not opened a savings account—yet. This directly affects our percent of single service accounts.

Table 1.

Household Data

	Nov-99	Nov-00	Sep-01	Change
Total Deposit Balance	\$122,699,424	\$120,203,478	\$162,491,956	\$42,288,478
Total Loan Balance	\$39,307,905	\$82,006,551*	\$82,523,925*	\$517,374
Total Profit	\$458,040	\$427,583	\$573,518	\$145,935
Total Segment Households	10,185	13,152	14,455	1,303
Total Loan Households	3,582	6,508	6584	\$76
Services Per Household	2.05	1.93	1.91	-0.02
Average Deposit Balance per Household	\$12,145	\$10,818	\$13,173	\$2,355
Average Loan Balance per Household	\$10,974	\$12,601	\$12,534	(\$67)
Average Profit per Household	\$45	\$33	\$40	\$7
Single Service Households	38.77%	45.62%	46.79%	1.17%

* Balance does not include approximately \$26 million in participation loans with other credit unions and \$4.3 million in Centrix loans (sub prime loans).

Member Data

The table 2 provides valuable information about each of the credit union's member segments. The segments are defined as follows:

- Top members (top 5% of participating members-based on balances),
- Fee Based (members who do not participate or use the credit union-zero or negative profitability),
- Mature members (participating members age 55 and older),
- Upscale members (participating members age 35-54), and
- Young Creditor (participating members age 35 and younger).

Table 2.

Member Segments

	Top Members	Fee Based	Mature	Upscale	Young Creditor
Percent of Total Households	3.87%	69.84%	11.39%	9.08%	5.07%
Total Deposit Balance	\$65,839,139	\$31,810,515	\$50,937,253	\$10,253,355	\$1,283,222
Total Loan Balance	\$14,275,793	\$31,343,892	\$9,384,889	\$16,255,599	\$10,901,866
Total Profit	\$929,501	(\$1,075,228)	\$381,928	\$222,426	\$96,973
Total Segment Households	559	10,096	1,647	1,313	733
Total Loan Households	226	4,078	620	965	673
Services Per Household	3.01	1.78	2.29	2.07	1.74
Average Deposit Balance per Household	\$117,780	\$3,601	\$33,314	\$10,736	\$3,478
Average Loan Balance per Household	\$63,167	\$7,686	\$15,137	\$16,845	\$16,199
Average Profit per Household	\$1,663	(\$107)	\$232	\$169	\$132
Single Service Households	11.27%	51.86%	29.75%	38.92%	37.56%

Most of these segments have an indication of "profitability" based on their total savings and loan balances. Basically, the higher the balances the higher the "profitability." Based on the table above, these are the most important trends:

Top Member

- Our "top member" segment, which represents only 3.87% of our total households, contributes \$1,663 in "profit" per household per year, and

has 3.01 services per household (higher than any other segment).

- The average deposit and loan balances are \$117,780 and \$63,167, respectively.
- Only 11.27% of the top member segment has a single service.
- Although this segment is small, it is vital that these members are retained, and served very well—if this entire segment left the credit union, our assets would decrease by over \$65 million.

Fee Based

- The largest segment (which is typical of most credit unions) is our "fee-based" segment representing 69.84% of our membership.
- This segment contributes negative profitability (-\$1,075,228) and represents 10,096 households.
- The average deposit and loan balances are \$3,601 and \$7,686, respectively.
- 51.86% of this segment is a single service household.
- Fees will need to be increased to improve the profitability of this segment and/or cross sell

additional services to these members to move them into more profitable segments.

Mature

- This segment represents 11.39% of our total households and contributes the second highest amount of profit--\$381,928.
- This segment uses 2.29 services per household.
- The average deposit and loan balances are \$25,978 and \$16,002, respectively.
- 29.75% of this segment are single service households
- This segment is an excellent source of deposits.
- It is very important that the credit union retains these members because of the large balances and profitability.

Upscale

- This segment represents 9.08% of our total households and contributes \$222,426 in profit.
- This segment uses 2.07 services per household.
- The average deposit and loan balances are \$10,736 and \$16,845, respectively.
- 38.92% of this segment is a single service household.
- This segment is a primary source of loans.

Young Creditor

- This is second smallest segment—representing 5.07% of our households.
- This segment uses 1.74 services per household.
- The average deposit and loan balances are \$3,478 and \$16,199, respectively.
- The credit union needs to attract more members in this segment because they are a great source for loans.

This membership analysis clearly shows that profit is tied to balances. In general, the following graphs illustrate that as balance increases so does profitability and vice-versa.

Figure 1.

Deposit Balances to Profit

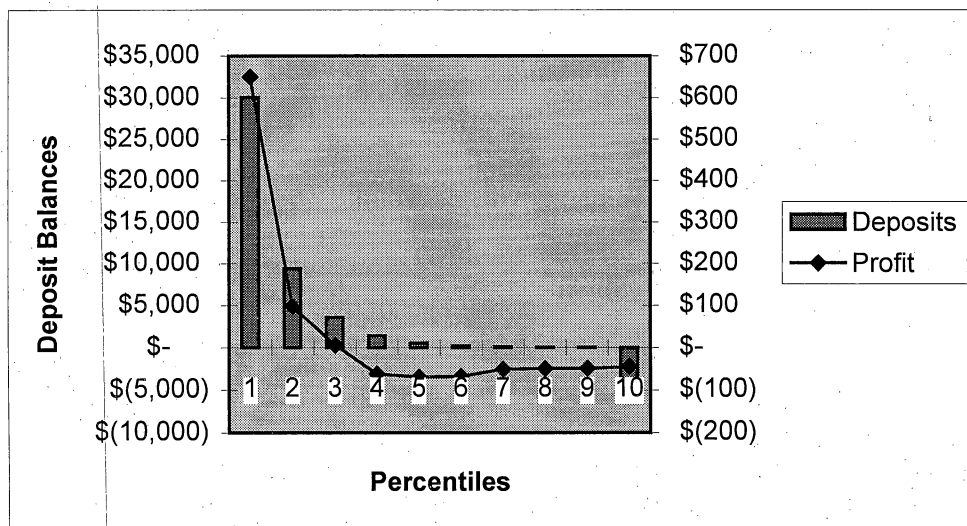
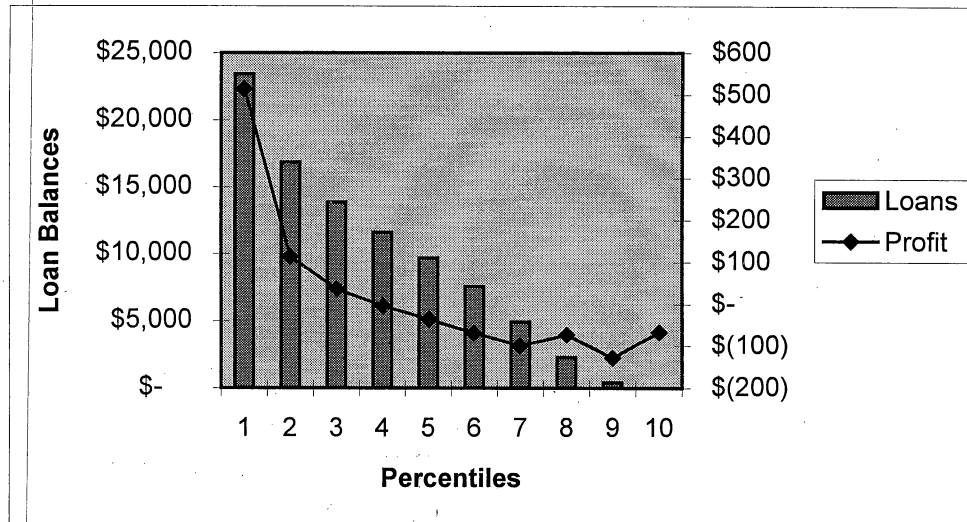


Figure 2.

Loan Balances to Profit



Member Research

During 2002, the results from the comprehensive Member Survey conducted in October 2001 will be used as the primary research tool.

Dorado Data's Navigator Marketing Customer Information File (MCIF) will be used as our secondary research tool—including member demographic data. The MCIF is used to:

- Segment our members into five unique segments (listed earlier)
- Profile our members to determine their possible needs

- Target promotions to members who would be most likely to use a particular product or service
- Measure "indication" of profitability of products and members
- Make pricing decisions
- Manage the product and service mix

Competitor Analysis

According to CUNA's 2000/2001 Credit Union

Environmental Scan;

Competition for the members' business has never been stronger, come from so many different directions, and provided so many appealing features, including low prices. And it is expected to heat up even more. The new financial services landscape, brought about by a surge in online financial service providers and by the Financial Modernization Act, is now cluttered with competitors—many who are looking to cherry pick our most affluent and profitable members.
(p. 15)

The Internet has empowered consumers with the ability to comparison shop, to apply for credit, and make investments online with ease—24 hours a day. Consider Internet companies like E-Trade, which purchased Telebank and now offer E-Trade Bank, or perhaps America Online (AOL) who now offers bill payment and bill presentment services. Then there is non-traditional competition like General Motors Corporation, which was granted a thrift

charter in April 2000, with players like Wal-Mart and General Electric Company following suit. Insurance companies like State Farm and the Automobile Association of America (AAA) both offer competitive "banking" services like auto loans, certificates of deposit and money market accounts. In addition, the competition is with any other company that issues credit cards or provides loans. According to CUNA's 2000/2001 Credit Union Environmental Scan, "There are more competitors vying for your members' business than ever before" (p. 15).

In addition, in response to the recent market forecast that auto-buying is on a downward trend, three auto manufacturers have introduced aggressive financing rates (0.0% to 4.9%) and cash incentive programs to generate auto-buying activity. Currently, Ford, General Motors and Chrysler are offering these programs; however, there may be a few others that appear in the near future. The facts are that auto-buying is in a downward trend; manufacturers and credit unions will both be affected by this change; credit unions cannot compete with a 0.0% financing rate; and manufacturers cannot sustain this type financing for long periods of time.

There also continues to be significant change in the local competitive environment. As with the entire

industry, there are mergers and expanded fields of membership, and conversions from credit union charters to mutual savings banks such as Pacific Trust Bank. The Department of Financial Institutions approved Norton Community Credit Union's expanded membership qualification in July 2000 to the County of San Bernardino. There continue to be several credit unions with overlapping fields of membership in our community:

- Both Arrowhead Credit Union and Wescom Credit Union have a community charter in San Bernardino and Riverside Counties.
- Riverside County's Credit Union has a community charter in Riverside County.
- March Community Credit Union has a community charter in Western Riverside County.
- Riverside Campus Federal Credit Union is attempting to receive a state charter from the Department of Financial Institutions, and will seek a community charter.

Currently, Norton Community Credit Union has inherent advantages over all of these credit unions—primarily with its service fees, deposit rates and our loan rates. March Community Credit Union (a former military credit union) is the most aggressive competitor—and looks the most like

Norton Community Credit Union. They offer aggressive loan rates, and aggressive savings and certificate rates. Arrowhead Credit Union has also become a strong competitor. With 17 branches and greater marketing budgets and resources, their "specials" are extremely competitive. This, however, is helping consumers in the community because Arrowhead has to match NCCU's loan rate for them to keep their member's loan or NCCU has to increase a certificate rate to attract or keep the members' money at the credit union.

Community banks in our area have also provided competition for our deposits. Banks like Glendale Federal Bank, Guaranty National Bank, Provident Savings Bank and Jackson Federal Bank have offered very aggressive rates on certificates of deposit. Many of these banks attract a lot of deposits and are heavy into mortgage or commercial lending. Banks like Provident Savings Bank no longer provide auto loans or other secured vehicle loans.

In addition, for the 16th consecutive year, credit unions have retained their title for most consumer satisfaction. According to the October 2, 2000, issue of Credit Union News Watch, "The margin of victory is growing" (p. 1). According to this article in Credit Union

News Watch, the latest annual American Banker/Gallup survey reports that:

- Nearly 80% of consumers who use a credit union as their primary financial institution are "very satisfied."
- Only 53% of banks' primary customers are "very satisfied."
- Only 51% of banks' primary customers are "very satisfied."

During this era of mega-mergers, satisfaction with credit unions is rising, while satisfaction with banks and thrifts is falling.

- Credit union satisfaction rose five percentage points over the past year.
- Bank satisfaction fell three percentage points in the past year.
- Thrift satisfaction fell four percentage points in the past year.

Market Analysis

Consolidation of the Industry

The number of credit unions has continued to shrink over the past several years. Once numbered at over 20,000, there are now less than 11,000 credit unions and the

industry is still shrinking. As with other financial service providers, mergers have taken place in the credit union industry. Although more than half the credit unions in California are still less than \$20 million in assets (or "small" credit unions), a number of small credit unions in particular will have to consider merging with a larger credit union in order to keep up with the competition and serve their members well.

In addition, credit unions, particularly in California, have been converting in record numbers from federally chartered (regulated by the National Credit Union Administration) to state chartered (regulated by the Department of Financial Institutions) since the passage of H.R. 1151, the Credit Union Membership Access Act in 1997. According to the October 2000 issue of Credit Union Digest:

California has led the nation in changes and we have seen many of our large federally chartered credit unions convert to state charters. The first reason was the restrictions that were enacted into law as a result of the Bankers' attack and the subsequent passage of H.R. 1151. The Bankers were successful in seriously limiting the ability of federal credit unions to grow and serve their members. Second, the California Credit Union League has been exceptionally successful with its advocacy efforts with both state legislators and the Department of Financial Institutions. The success has helped create a flourishing business environment for California state chartered

credit unions, which is similar to the one enjoyed by banks nationally. (p. 6)

Technology

In the early 1990s, many credit unions began increasing automation and technology within their offices and branches to increase efficiency, productivity and thus responsiveness to members' ever-changing financial needs. Several years ago, personal computers were only found in the CEO's office, but today the personal computer has become a tool that everyone at the credit union needs to do their job.

By using technology, credit unions have the ability to process thousands of transactions per day through Automated Teller Machines (ATMs), the Automated Clearing House (ACH) for direct deposit, automated transfers and payments, and the Internet. For financial service providers this means significant cost savings. According to CUNA's 2000/2001 Credit Union Environmental Scan, "Summit Information Systems of Corvallis, Oregon reports that the average online transaction costs one cent, compared with \$1.07 for a teller transaction" (p. 23).

Consultative Sales

With increased competition, credit union staff must shift from order takers to consultative sales people. The

financial service market has been moving in this direction for over a decade—yet many credit unions are still behind in this area. The industry cannot produce or attract, for that matter, good consultative sales people without increasing the focus on cross training and increased employee knowledge.

Consumer Awareness

The California Credit Union League has recently presented a study that evaluated:

- Consumer awareness of credit unions as financial service providers
- Consumer awareness of credit union products and services
- Consumer understanding of whether they can belong to a credit union
- If these consumer intend to join a credit union

The primary goal of this study was to show how credit unions rank against banks for current and potential market share. Some interesting data from this study reports that following about the Los Angeles Designated Market Area (DMA):

Top of mind awareness for Bank of America	43%
Top of mind awareness for ALL credit unions combined	8%
Familiarity with credit unions	40%

Primary awareness methods of credit unions:

Co-worker/workplace	39%
Family members	20%
Other word of mouth	9%
Past credit union membership	37%

Reasons for credit union membership:

Good interest rates	32%
No reason to change/No problems	20%
Good service/Personalized service	18%
Low/No service charges	23%

Reasons for discontinuing credit union membership:

Stopped working for member company	39%
Location not convenient	11%
Moved	6%
Service charges	6%
Better interest rates elsewhere	6%

Reasons for not considering a credit union:

No need/happy with bank	33%
Unfamiliar/don't know about credit unions	19%
Never thought about it	14%
My job is not affiliated with a credit union	14%

According to the study on the web site,

http://cue.ccul.org/public_survey/intro.htm, banks are by far and away the "top-of-mind" consideration when

consumers think of financial institutions. Overall awareness among all respondent types for credit unions and products and services is was fairly low. Our credit union and others in our community need to look at perhaps partnering to do a "credit union" awareness campaign in the next year or so. This will help increase the awareness of credit unions in our community and help us increase market share.

Environmental Analysis

Consolidation of Industries

Mergers and consolidations are not just affecting the financial service industry. All industries are experiencing this phenomenon—telephone companies, oil companies, Internet companies, entertainment companies, car companies, etc. As companies become more efficient and continue their quest for economies of scale, consolidations will continue.

Information Technology

Computers, telecommunications, the Internet, and the expansion of e-business are having profound effects on economies worldwide. According to CUNA's 2000/2001 Credit Union Environmental Scan:

Information technology has increased productivity growth, changed management

structures from hierarchical to flattened entrepreneurial teams, and improved corporate efficiency by allowing easy accessibility of up-to-date information. It has also helped companies lower their costs and prices, helped consumers shop aggressively online, and forced many businesses to go wired to preserve or extend their share of market. (p. 23)

In addition, computers and the Internet are changing the way people shop for products and services. Consumers are enjoying the convenience of being able to shop from their home or office 24 hours-a-day, seven days a week. According to the fourth edition of Services Marketing: People, Technology, and Strategy:

Traditional retailers are having to respond to stiffer competition from the Internet and telephone-based catalog retailing. One company, software and computer retailer Egghead, Inc., decided to get out of physical retailing altogether. It closed its 80 stores across the United States, dismissed 800 of its 1,000 workers, shifted its sales entirely to the Internet, and renamed itself Egghead.com. (p. 347)

Sales Culture

As with financial service providers, most industries are also moving to a sales culture. Increased competition has "forced" companies to look at their levels of service and provide training and development for their staff on sales skills, interpersonal skills, communication skills, and product knowledge.

Continuous Learning

According to Future Focus 2000 and Beyond: Changes, Challenges and Choices;

Learning will be a major opportunity for adults in the 21st century, but the shift will be to the concept of lifelong learning. Resources such as distance learning, computer programs and videos will help more and more adults learn what they need. Adults will be learning more for their own benefit and personal growth rather than what they 'have to learn.' Andragogy, adult-based self-initiated, and self-paced learning will soar as adults prepare themselves to keep pace with trends and technology. (p. 29)

The Global Economy

According to the 2001/2002 Credit Union Environmental Scan the United Nations Conference on Trade and Development (UNCTAD) Report stated that the global economic environment changed dramatically over the fourth quarter of 2000 and into 2001. "The United States economy began to slow sharply. The unwinding of its high-tech boom produced a drop in investment spending, aggravated by weaker consumer confidence and the threat of sizable job losses. The biggest risk to the global economy is the possibility that Japan's economy may collapse, according to Irwing Leveson, president of ForecastCenter.com" (p. 13). According to the 2001/2002 Credit Union Environmental Scan, "Interest rates in Japan are close to zero, but the economy remains in a recession because

business and consumer confidence is in the basement"

(p. 14).

United States Economic

The United States economy has experienced a tremendous downturn in the economy--especially since the terrorist attacks on the World Trade Center in New York City and on the Pentagon in Washington D.C. on September 11, 2001, and the subsequent attacks on Afghanistan which began on October 6, 2001.

According to CUNA and Affiliates web site on October 2, 2001, "The Federal Reserve slashed its target for the fed funds rate, the interest banks charge each other on overnight loans, a half-point to 2.5%--the lowest rate since 1962. The central bank has now slashed the fed funds rate nine times this year. And credit unions will see an impact."

"All things equal, a fed rate cut will encourage more consumers to borrow, giving the economy a needed shot in the arm. Rate cuts tend to have a positive bottom line impact on credit union earnings because asset yields fall more slowly than do funding costs," Mike Schenk, vice president of CUNA's economics and statistics department, told News Now.

Before the terrorist attacks, the U.S. economy was already slowing. According to the October 3, 2001, Press Enterprise newspaper, "...Bush's chief economic advisor said there is a high probability that U.S. economy will have two consecutive quarters of negative economic growth-the textbook definition of a recession. The statement by R. Glenn Hubbard, chairman of the Council of Economic Advisers, was in testimony to the Senate Budget Committee, that the slide could be reversed next year" (pp. A1, A14).

Internal Analysis

Strengths, Weaknesses, Opportunities and Threats Analysis

The employees of Norton Community Credit Union conducted a SWOT Analysis (Strengths, Weaknesses, Opportunities and Threats) at the Staff Planning Session on October 8, 2001. They identified the following:

Strengths

- Staff cares and wants the credit union to succeed—a real team atmosphere
- 24 hour service for loans and Internet banking
- Financially strong—10% capitalized
- Variety of delivery channels
- Broad product and service line

- Image of the credit union has greatly improved with members and the community
- Potential for growth with community charter
- Members trust the credit union and staff
- New building and branch locations, including CU Service Centers
- New office hours
- Staff is empowered
- Employee benefits and compensation
- Employee recognition programs
- Training and development
- Commitment to people development
- Growing number of members using Internet Banking
- Marketing and communication with members

Weaknesses

- Lack of knowledge of computers
- Cross selling skills
- Inconsistencies between branches
- Lack of written policies and procedures
- Limited telephone center
- Highland branch (doesn't portray professional image)
- Lack of fees to offset costs

- Lack of educational sessions for members
- High percentage of single-service members
- Real Estate loan processing
- Vulnerable to fraud
- Rapid pace of change

Opportunities

- Opportunity to be a lot more active in the community
- Sponsorships and donations
- Cross training
- Internet and e-mail services
- Information can be delivered to members more quickly
- New main branch in San Bernardino—the location, positive image it projects
- CU Service Centers
- Development of new business at the former Norton AFB
- Credit Union Direct Lending (CUDL) members and growth
- Youth market
- University and colleges in the community

- National Endowment for Financial Education (NEFE) program taught at local High Schools

Threats

- CU Service Centers (NCCU members using other credit unions' branches)
- Increased fraud and less ability to "know" new members (community charter)
- Internet—members have many choices
- Tight labor market
- Growing too fast—reserves become an issue, level of service might not keep up with the demand
- Being aware of the competition and adjusting accordingly
- Consolidation of the industry (mergers)
- Decreased return on investments due to low interest rate environment
- Increased delinquencies
- Low loan to share ratio
- Stock market declining
- U.S. at war

Financial Performance

Norton Community Credit Union has experienced very healthy growth in the last three years. Loans grew at a

tremendous pace in 1999 and 2000. Deposits have been growing at a great pace in 2001.

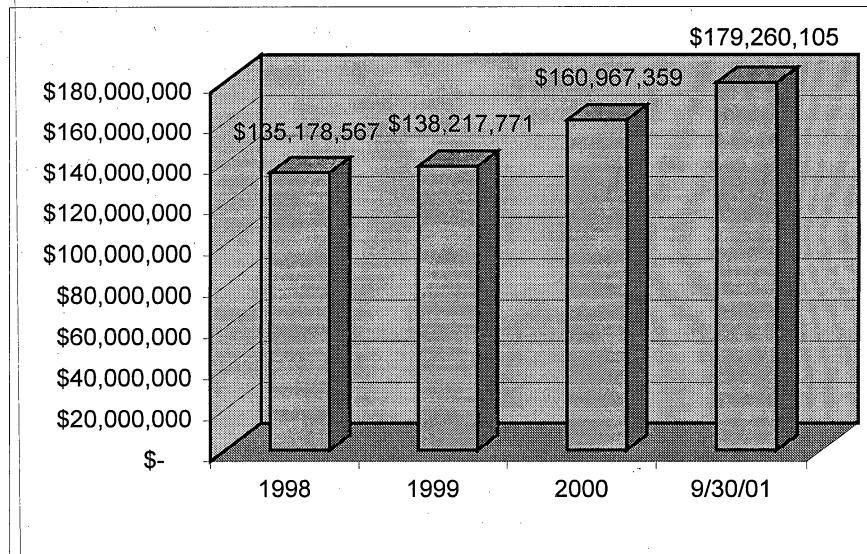
Total assets grew by during the first three quarters of 2001 due to an influx of member deposits—over 18.3 million dollars. The influx occurred due to:

- Competitive interest rates on savings and share certificates offered
- Excess Share Insurance—member deposits insured up to \$350,000
- Instability in the stock market
- Decreased consumer confidence
- Safety of the savings investment (no loss of principal)

To date, net loans have not grown as quickly in 2001 as they did in 1999 and 2000. According to Callahan & Associates 2001 Credit Union Directory, Norton Community Credit Union was ranked Number One nationwide in the Top 100 by 12-Month Loan Growth (as of June 30, 2000), with a 121.97% increase!

Figure 3.

Total Assets

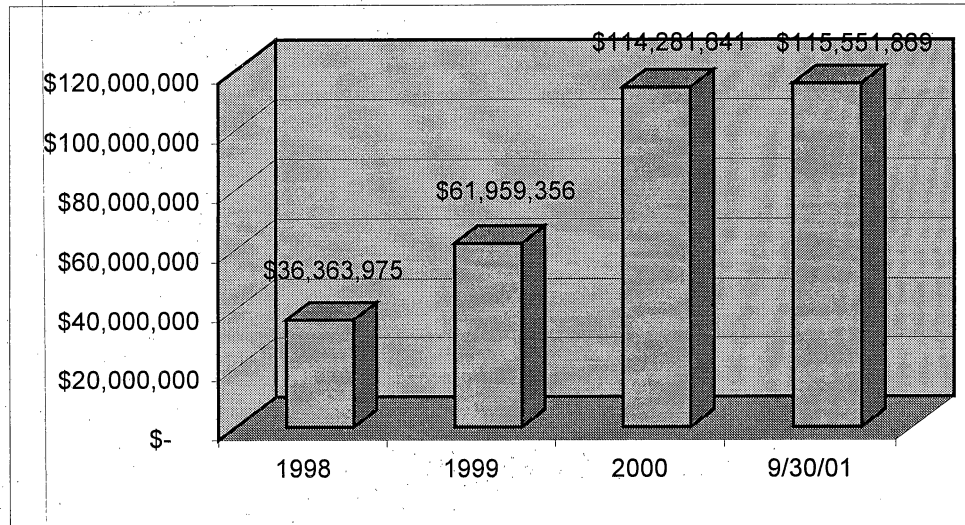


However, in 2001 loans have only increased by nearly \$1.3 million (net). The slower loan growth is due to several phenomena:

- Credit Union Direct Lending (CUDL) approval criteria were "tightened" due to increased delinquencies from CUDL members.
- The termination of adding Centrix (sub-prime) loans to the loan portfolio
- Limited opportunities to participate in other credit unions' auto or mortgage loans.
- Consumers' loss of consumer confidence due to the decrease in the stock market

Figure 4.

Total Loans

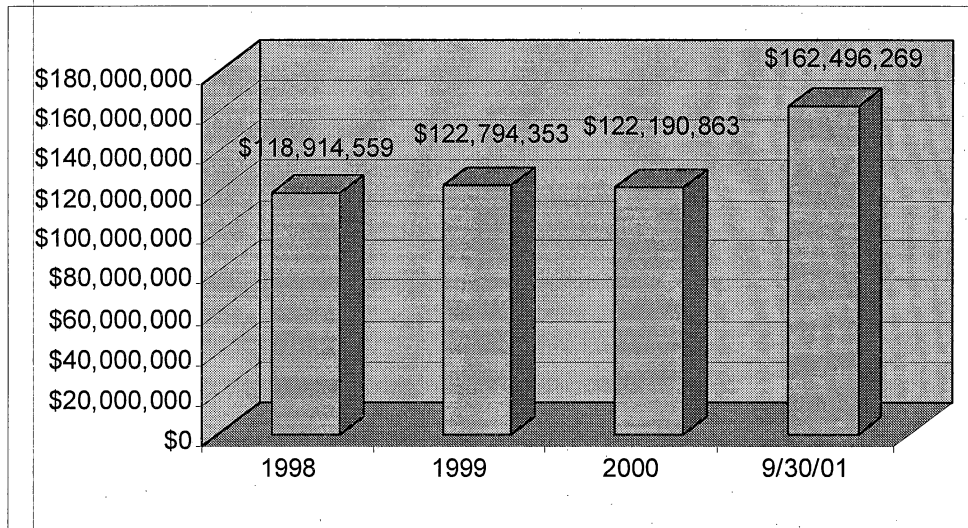


Total deposits have increased over the last nine months due to the credit union's competitive interest rates on savings, money market accounts, and share certificates. Many members have shifted their funds from a savings account to higher-yielding instruments like money market accounts, share certificates and IRA certificates. In 2001, many new members brought the credit union large deposits just by printing deposit rates in The Sun. Excess Share Insurance through American Share Insurance has also helped the credit union attract large deposits—banks cannot offer this service—a real competitive advantage. In 2002, the focus will be on retaining a majority of these

deposits but at lower rates that are closer to what the market is currently paying.

Figure 5.

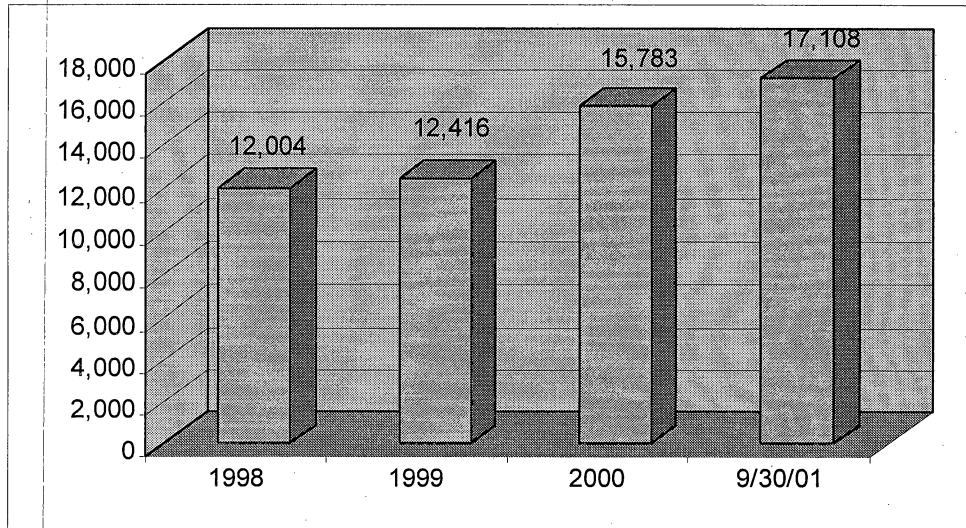
Total Deposits



The following figure illustrates the growth in new members over the last nine months in 2001. About 25% of new members are joining through participating Credit Union Direct Lending auto dealers. New members are also joining as a result of a current member referral or from advertising throughout the community. Most of the new members come to us to get a loan—they have heard the credit union has great rates and they can get their loan quickly. In 2001, we have also attracted many new members from advertising savings and certificate rates in The Sun.

Figure 6.

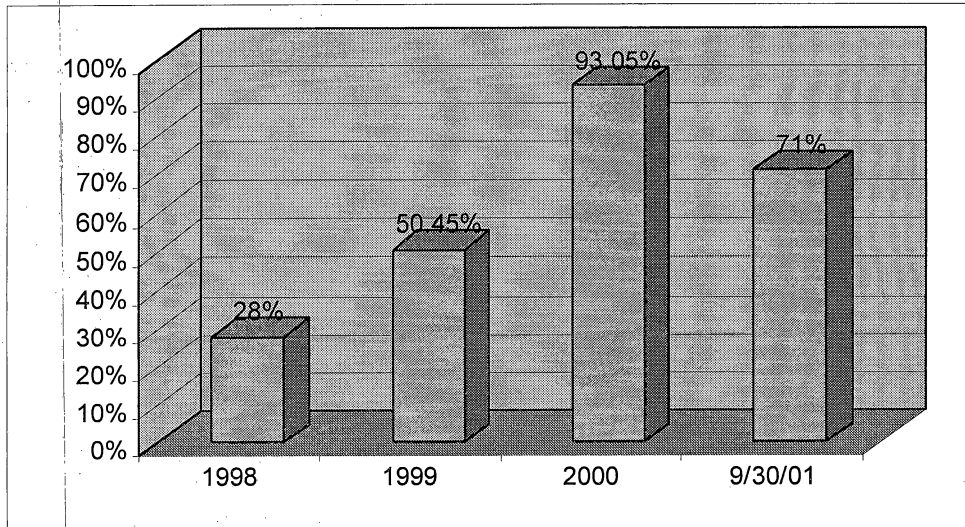
Number of Members



With the slowed growth in loans and the tremendous increase in member deposits, the credit union's loan to share ratio has decreased to 71% over the past nine months in 2001. This means that 71 cents of every dollar on deposit is loaned out. The best investment the credit union can make with members' deposits is loans to other members. Management and staff needs to aggressively work to increase loans in 2002 to improve the loan to share ratio, earnings on deposits, the bottom line and capital.

Figure 7.

Loan to Share Ratio



Training and Education

In order to provide members with outstanding, "one-stop-shop" service, employees will continually need the training and education to remain knowledgeable and professional. Training and development has improved significantly within the last two years, and the focus will continue to improve during 2002 and beyond.

To demonstrate the credit union's commitment to training and development, a product and service manual was developed for employees, and certification courses are offered so that employees may become Product & Service Certified. A comprehensive Intranet sight, CU Guide, was developed for staff which is a tremendous resource for all

kinds of information: training modules, policies and procedures, product and service information, marketing promotional pieces, benefits information, and more—increasing employee access to the information they need to serve members and decreasing the amount of paper and cumbersome manuals.

In addition, the following training classes were offered during 2001:

- Telephone Service Standards training
- Business Writing training
- Privacy Policy training
- Fraud training
- Core Values training
- Service training
- Outbound Calling training
- Sexual Harassment training
- Internet Banking and Bill Payment training

In addition, one-third of the credit union's staff is currently participating in Credit Union National Association's (CUNA's) Staff Training and Recognition Program (STAR). The modules feature the following topics:

- Member Services
- Consumer Lending

- Accounting
- Advanced Lending
- Sales
- Technology

Consultative Sales

Although the concept of developing a sales culture is talked about a lot in the financial services industry, few financial institutions have actually developed unique sales cultures throughout their organizations. Norton Community Credit Union is one of those organizations that have not developed a sales culture—as of yet. The lack of a sales culture is a weakness of the credit union because of missed opportunities to acquire as much of members' business as possible. The more services a member uses at the credit union, the less likely that the member will close the account or become inactive. A strong sales and service culture can give members better service, thus making the credit union more profitable, and so on.

Some of the challenges Norton Community and other credit unions face are:

- Not hiring employees with a "sales" personality
- Not enough emphasis on cross-selling in an employee's performance reviews
- The perception that cross selling is "pushy" and

will be unfavorably received by members

- Lack of goal setting and accountability
- Lack of training
- Lack of support at the top of the organization

According to Sheshunoff's Marketing for Credit

Unions;

A sales culture must start at the top of the organization with the chief executive officer. All layers of management must believe in and demonstrate their support for developing a sales culture. The management team must define what a sales culture means to the credit union. Once defined, management must stay behind that definition 100%. Next, financial goals must be established to allow all staff members to know what they are striving to achieve. (Sitton, Freiert, & Charron, 2000, p. 4-2)

Obviously, employee training is vital to a successful sales culture. Employees must understand each and every product and service the credit union offers, including, features, benefits, related policies and applicable regulations. Employees must also be trained on cross selling skills, which really mimic great service skills. A proactive attitude toward member service and cross selling must be instilled in each employee.

Another key factor in the success of building a sales culture is to create an incentive program to motivate employees. There are many incentive programs that have been successful—performance-based pay which is based on

the credit union's financial goals or a referral system where employees are paid a specific dollar amount for each referral they make or each loan they set up. Team incentives are also successful for some credit unions. Incentives don't have to be expensive; but since the credit union is working very hard right now to train and develop the staff, incentives will not be a priority until mid-2002.

Cross selling is currently in the employee's job description, and is a performance factor upon which all front line employees are rated. To improve in this area, commitment to provide the necessary time and resources, 100% buy-in by the board and management, employee training, goal setting and sales expectations, and employee accountability for their knowledge and skills through testing, mystery shopping, etc. is necessary.

Sales culture is arguably the most important element of achieving effective member service and cross sales. It is also the most difficult to manage. Creating an effective culture is a marriage between minimizing non-sales activities and motivating employees to effectively use available sales time. For example, Account Administrators are supporting the Account Executives who work on the front line and in the Member Service Center.

If support staff could help the front line employees with processing mail, processing reports, making copies of rate sheets, processing ATM or check fraud cases, replenishing supplies, etc., this would give the employees who work with members more time to spend "educating" members and building relationships with them.

The benefits of a sales and service culture include but are not limited to:

- Increased employee knowledge, skills and accountability,
- Increased penetration of products per member,
- Increased member satisfaction and exceeding member needs,
- Increased understanding of how cross-selling improves the credit union's bottom line,
- Increased profitability,
- Increased services to members, and potential increase to employee earnings

Business or Membership Development

The commitment to business development began in 2000, with the restructure of the organization and the creation of the Account Executive and Account Administrator positions, and the Member Service Center (telephone service). As a result of this commitment, business

development efforts will be increased in 2002 and beyond.

In the past, new business development skills were not nearly as important as they are today because banks had little interest in providing the kinds of consumer services that are the bread and butter for most credit unions. That has changed. Banks are and have been actively seeking the auto loans, consumer loans and personal checking accounts that compete with credit unions. The days when management could assume that potential members would recognize the value of the credit union over the banks are gone forever! As discussed earlier the competition for financial services business is fierce. In the future, only those credit unions that give solid service and have effective new business development programs will be able to grow.

Determinants of Strategic Options

The current strategies that have been used over the last two years have worked very well. Norton Community Credit Union is attracting 200 to 300 new members every month. Loans have increased dramatically; the product and service line has improved greatly (more options, informational web site, online banking, bill payment, large ATM network, VISA Checkcard, 24-hour lending,

competitive savings and loan rates, and much more). The employees have the resources to serve members well (increased training and development, competitive products and services, and increased empowerment and knowledge).

As the credit union continues to grow, assets have increased faster (due to the influx of deposits) than the reserves and undivided earnings (due to decreased investment income because of lower rates), and decreased loan income (due to slowed loan growth, lower loan to share ratio), and increased delinquencies (due to higher unemployment). The changes in the economic conditions and member behavior are beginning to decrease the credit union's capital ratio. The Board of Directors and the Asset Liability Management Committee has set a goal to keep the capital ratio greater than 8%. However, during the past several months, this ratio has decreased from over 11% to 8.64%. Although financially the credit union is doing well, growth needs to be managed to ensure the capital ratio does not go below 8%.

Target Markets

Women are fast-becoming the ideal target market for most industries—including the financial services industry. More than half (51%) of credit union members are women.

They are independent, self-supporting and wealthy.

According to CUNA's 2000/2001 Credit Union Environmental Scan, "Women are a hot market for online services and financial advice. Women pay 70% of the monthly household bills and tend to view the Internet as a time-saving device-whether it be for shopping, banking or bill-paying purposes-more so than men" (p. 19). In addition, the 2000/2001 Credit Union Environmental Scan reports that:

According to management guru Tom Peters, this is an important consideration, given that women make most of the household purchasing decisions and write 80% of the household checks. Women influence 85% of car purchasing decisions and now account for 18% of homebuyers, up from 10% in 1990. And according to the National Foundation for Women Business Owners, the number of women-owned firms in the U.S. increased 103% in a little over a decade (between 1987 and 1999). Today, there are 9.1 million women-owned companies, representing 38% of all businesses. (p. 3)

Women are an excellent target market for such financial services as vehicle loans, online banking, bill payment, small-business loans and investments, and will be considered in the marketing communications in 2002.

According to the 2000/2001 Credit Union Environmental Scan;

Baby boomers (age 36 to 54), now in their peak income-earning years, will soon transition from empty nesters to retirees. Studies predict that the vast majority of boomers (75% to 80%) plan or expect to work at least part time after they

retire. According to the American Association of Retired Persons, one-third of baby boomers will continue working due to sheer interest and enjoyment, 23% will do so for the money, and 17% will branch out and start their own business.
(p. 1)

In addition, "On the other hand, younger baby boomers (age 36 to 44) are moving into their prime career and earning stages. They will be looking to upgrade their housing, will become empty nesters and will have mobility, which suggests that they'll be in the market for motor homes, luxury vehicles and expensive home furnishings" (p. 2).

Based on the credit union's membership data, it is obvious that it needs to continue to attract members in the Young Creditor segment (less than age 35). Generation X (age 24 to 35) is an excellent target market for the credit union. The Credit Union Environmental Scan reports that:

"In fact, the home ownership rate in 1998 among unmarried Generation X households was 23%, compared with Baby Boomers who never hit higher than 21% at this life stage" (p. 2). Generation Xers will be trading up into bigger, upscale housing sooner than any other generation.

Youth will also be a prime target market for us in 2002, through Boom! and Planet M programs. The Credit

Union Environmental Scan reports that: "According to the Bureau of Labor Statistics, more than half of youth age 14 to 24 has a job of some kind. Not only do they spend their own money, but they also exert a huge influence on parental spending" (p. 3). The youth generation is extremely intelligent and experienced shoppers, because they are more likely to comparison shop than are adults. This generation is "wired" and is described as "bred on the Web."

CHAPTER FOUR

MARKETING ANALYSIS

Marketing Objectives

The following are the most important marketing objectives Norton Community Credit Union will focus on in 2002:

- Increase focus on Member Education.
- Continue to enhance the web site and Internet 24.
- Increase Internet 24 and bill payment usage.
- Increase efforts to attract youth (age 0 to 18) through Boom! and Planet M programs.
- Increase marketing communications on the use of convenience services.
- Continue to focus marketing efforts on attracting loans.
- Increase Business Development activities with Select Employer Groups and the community.
- Begin developing and implementing and Sales and Service Culture (check notes from seminar).
- Continue to monitor the service provided to members.

Comprehensive Marketing Mix Strategy

According to the 4th edition of Services Marketing: People, Technology, Strategy, the Marketing Mix is comprised of eight important components (the eight Ps):

- Product
- Place (time of delivery and channels used)
- Process
- Productivity and Quality
- People
- Promotion and Education
- Physical Evidence
- Price

Product

Norton Community Credit Union has developed a broad range of products and services—offering tremendous ease and convenience to its members. They have choices—attractive choices. The credit union's product and service line mimics the product line of a much larger financial service provider. Below is a list of the products and services—a tremendous strength of the credit union:

- Savings
- Checking
- Money Market Accounts

- Share Certificates
- IRAs (Traditional, Roth and Education)
- Excess Share Insurance (deposit accounts insured up to \$350,000)
- MEMBERS Financial Services (stocks, bonds, mutual funds, variety of insurance products)
- MEMBERS Financial Network (online trading, brokerage accounts)
- Safe Deposit Boxes
- VISA Cash and Checkcard
- ATM and Point of Sale Access
- CO-OP ATM Network (no surcharge)
- Monthly newsbytes, Community Connection
- Informative and educational web site
- Internet 24 (online account access)
- Online Statements
- Internet Bill Payment
- Audio 24 (telephone account access)
- Direct Deposit
- Automatic Loan Payment
- Overdraft Protection
- CU Service Centers (400+ locations nationwide)
- Auto Loans and Leasing

- Onsite Car Sales
- Credit Union Direct Lending (CUDL)
- Autoland Car Buying Service and Advocar web site
- Recreational Vehicle and Motor Home Loans
- Motorcycle Loans
- Computer Loans
- VISA Credit Cards
- Home Equity Lines of Credit
- Real Estate Loans
- Signature Loans
- Lines of Credit
- Savings-Secured Loans

In addition to the current products and services, new services are evaluated and priced competitively to reward members who use the credit union with free or discounted products and services. Relationship management—using data to better identify and meet members' needs—will be the key to maintaining or improving the service penetration levels. The Marketing Customer Information File (MCIF) will be a tremendous tool to help with relationship management.

Table 3 illustrates the product penetration levels. The table compares 1999, 2000 and 2001. During the last

nine months of 2001, increased penetration levels are seen in the following products: Savings, Money Market, Share Certificates and Bill Payment—mimicking the growth seen in deposit accounts. Product penetration decreased in: Checking (total membership grew faster than new checking accounts), IRAs, New and Used Auto (slower loan growth through Credit Union Direct Lending) Credit Card (lack of competitive choices for premium borrowers), Real Estate and Internet 24. There was no change in penetration levels for the Lease Look-a-Like.

In 2002, credit union management will focus efforts on increasing the "share of wallet" with current members to increase the penetration levels, through increased cross selling, and with new members through pre-screening for pre-approval offers (checking, overdraft line of credit, VISA credit card, signature loan and auto loan) based on satisfying credit criteria at the time the membership is opened.

Credit Union Direct Lending members will also be called by Lending or Account Executives to offer additional products and services through the pre-screening process. As the number of services per household increases, the chances increase that the credit union will be able to retain the member's business. Retention of

current members is important to the overall growth of the credit union. If members are closing accounts faster than new members are opening accounts or current members are opening new accounts, then the credit union is not growing.

Table 3.

Product Penetration by Household

Product	Number of Household			Product Penetration		
	1999	2000	9/2001	1999	2000	9/2001
Savings	10,185	11,104	12,320	100%	84.43%	85.23%
Checking	3,617	3,632	3,923	35.5%	37.6%	27.14%
Money Market	378	458	577	3.7%	3.7%	3.99%
Share Certificate	644	908	1,384	6.3%	6.9%	9.57%
IRA	1,201	1,127	1,138	11.8%	8.6%	7.87%
New Auto	544	864	944	5.3%	6.6%	6.53%
Used Auto	934	3,530	3,676	9.2%	26.8%	25.43%
Lease Look-a-Like	24	29	31	0.2%	0.2%	.2%
Credit Card	1,618	1,717	1,533	15.9%	13.1%	10.61%
Real Estate	356	381	374	3.5%	2.9%	2.59%
Internet 24	526	1,336	1,629	5%	12%	11%
Bill Payment (as a % of Internet 24 users)	0	128	208	0%	10%	13%

Place

Delivery of the credit union's services will involve physical and electronic distribution channels (or both) depending on the nature of the service being provided.

In 2002, the Marketing Department will continue to utilize service brochures, direct mail letters, pre-approval certificates, statement inserts, postcards,

newsletters, the web site, e-mail and the dedicated staff (in-person service in branch locations and over the telephone) to deliver member communication on a regular basis to the member-owners. Outbound telephone calls will continue to reach new and current members to determine if service needs were met, and to reach current members to provide special offers and show appreciation for their business. More cross selling will take place using outbound telephone calls in 2002.

Partnerships will continue with vendors who have supplied professional inserts, direct mail pieces, posters, point of purchase displays for little or no cost—Credit Union Direct Lending (CUDL), Resource Capital Group (mortgage loan processor), Autoland, Auto Buying Connection (ABC) and MEMBERS Financial Services. PSB—The Marketing Supersource will continue to produce the monthly newsbytes (paper, online and email), the annual report, statement inserts, posters, point of purchase displays and other promotional pieces. PSB offers pre-designed or custom marketing campaigns, which cost considerably less than utilizing an agency.

Norton Community Credit Union's web site will continually be updated to provide valuable information about current and new products and services, the channels

of delivery, educational information, links to valuable resources, and more. Email will be used to communicate with members. Targeted groups of members will be emailed regarding new products and services, newsbytes, special promotions and events—that will appeal to them before they can read about it in a newsletter, or see it on the web site.

Process

Over the past two years processes have significantly improved for the members and employees, including the loan process (which is evident with the phenomenal loan growth in 1999 and 2000), the new accounts process and service delivery processes. In 2002, processes will continue to be evaluated to "remove any barriers" to service, and any new processes developed will be carefully evaluated to ensure members do not experience slow or ineffective service delivery. This in turn will make it easier for employees to serve the members, and maximize productivity.

Productivity and Quality

Productivity and quality go hand in hand in a service industry. According to Services Marketing: People, Technology, Strategy, "Productivity relates to how inputs are transformed into outputs that are valued by customers, whereas quality refers to the degree to which a service

satisfies customers by meeting their needs, wants and expectations" (p. 17). Service quality is essential to the credit union for product differentiation and to help build member loyalty. Productivity and the quality of service has greatly improved over the last two years and it will continue to monitor in 2002 and beyond.

In order to measure the quality of service provided to the member-owners, new accounts and new loan surveys will be sent to a sample of members. Secret shoppers from the Financial Service Center Cooperative, Inc. (FSCC) and MyDas Marketing will be used at least quarterly to monitor the level of service provided to members.

People

As a service-oriented financial service provider, the members of Norton Community Credit Union directly and personally interact with the employees either in-person, over the telephone or in writing. These interactions strongly influence the members' perception of quality service. It is human nature that the credit union's members will make judgments about the service provided based on their assessments of the people providing that service. The new practices that have been developed to attract, recruit, train, and retain quality staff will

help the credit union continue to serve the members and serve them very well.

In order to make sure the "right" people are hired, Human Resources provides candidates with three pre-employment tests: the Wonderlic (cognitive), Orion (opinion) and the 16 PF (performance factors of personality). These tools help Human Resources and managers determine if the potential employee has the cognitive ability to do the job, match the values and culture and have the natural abilities to do any particular job.

In addition, the tremendous commitment to training and education for employees will continue by providing them with increased development opportunities through:

- Classroom training on a variety of topics (service, products, procedures, and regulations)
- Online training through CUES University
- Staff Training and Recognition program (STAR) for employees
- Management Enrichment Training program (MERIT) for managers
- On the job training
- Mentoring/shadowing with fellow employees

- Off site training through the California Credit Union League and other groups
- Education reimbursement for college level classes

Promotion and Education

When people think of marketing, they think of promotions. But promotion is just one of the key elements of an effective marketing program. One generally accepted definition of a promotion is this: A special activity designed to accomplish a specific objective in a limited period of time. Consumer promotions usually, but not always, offer a special value. However, they always offer an immediate benefit of some kind. Promotions must also provide needed information and advice. As staff teaches members about the benefits of the particular service, as well as where and when to obtain it, and provide instructions on how to participate, the credit union will continue to be more successful and the promotions will advance the overall position and image of the credit union. It will reflect the character of the company, just as advertising does.

Most promotional campaigns employ a combination of techniques from four broad categories: advertising, publicity, sales promotion and personal selling.

Promotions for 2002 will be outlined based on the Marketing objectives. Promotions will include savings promotions, pre-approval certificates, specially arranged car sales, membership drives, new product offerings and more.

Advertising. Advertising performs the crucial task of communicating with members and potential members; it builds awareness of the credit union and its products, it helps build the credit union's image, and it helps bring new members to the credit union. Advertising's role is to influence consumer attitudes over time.

The credit union will continue to use the "Great Smiles" advertising campaign to target different products and services. In 2001, a series of "Great Smiles, Great Loans," ads were utilized in several publications. Due to the tremendous savings growth in 2001, this advertising campaign will continue to be used in 2002. A series of four advertisements that show the diversity of the membership will be used throughout the year in:

- Local newspapers (The Sun, Redlands Daily Facts, The Press-Enterprise)
- The Business Press
- Inland Empire Magazine
- Chamber of Commerce newspapers and directories

- Local college and high school directories and sports posters
- Select Employer Group newsletters

In addition, the credit union's strategy for 2002 is to continue to be a good corporate citizen and support the local communities through donations, volunteerism, and education material. Activities like these typically are all forms of advertising.

Publicity. Press releases will be submitted for publication at least a quarterly. Information will be released to local newspapers, The Business Press and to credit union trade publications, such as Credit Union Times and Credit Union Digest. Topics will include:

- New products or services developed
- Consumer information
- Community outreach/fundraising, such as Juvenile Diabetes Research Foundation, United Way and others
- New branch openings, open house, features, benefits, etc.

At least six advertorials will be submitted to the Business Press highlighting special achievements of the credit union, including branch openings, new service offerings, etc.

Sales Promotion. Sales promotions will take place on a regular basis to attract loans, deposits, new members, and to increase usage of convenience products, such as Internet 24, Audio 24, and MEMBERS Financial Services. Sales promotions will be communicated with staff and the board of directors on a regular basis to ensure that everyone is aware of the promotion and the proper information is available to answer questions and provide the service desired.

Personal Selling. As mentioned earlier, Norton Community Credit Union currently does not have a formal consultative sales culture. However, personal selling will become more important in 2002 and in the future. Management of the credit union will continue its strong focus on staff training and development in 2002, including intensive training on products and services, member service skills, consultative selling skills, coaching skills for managers, etc. By improving knowledge and giving employees the skills and the tools to determine members' needs, improvement in this area will be evident.

Physical Evidence

The appearance of buildings, landscaping, interior furnishings, equipment, staff members, signs, printed materials, and other visible cues provide tangible

evidence of the credit union's service quality. With the move of the Redlands Branch to its new facility near downtown Redlands, and the move to the credit union's new main branch and corporate office in San Bernardino, the credit union's physical appearance has greatly improved in 2001. In 2002, a cashless branch will open in Yucaipa, next door to Arrowhead Credit Union. As a CU Service Center, Arrowhead Credit Union will be able to serve Norton Community Credit Union's members' cash needs. The Yucaipa branch staff will be able to open new accounts, process, approve and fund loans, solve problems, and much more from this location.

As future branch locations are researched, and potential partnerships with other credit unions, the physical presence of the credit union will be managed carefully, because it can have a powerful impact on the members' impressions of the credit union and the ability to serve their financial needs.

Price

In 2002, pricing will still be competitive, but new fees will be implemented to offset the cost of offering labor-intensive services, such as notary services and member research, and to curb member abuse (non-sufficient funds and overdraft protection). To increase lending

activity (the credit union's best investment), loan rates have been decreased slightly to improve loan growth. In addition, savings rates have dramatically decreased to slow the growth of deposits, and to decrease the cost of funds in the future when share certificates mature. As new products and services are developed, fair, competitive prices (to cover costs) will be developed, but profitable members will be rewarded with discounts or free service. Examples of this are Bill Payment service, Safe Deposit Boxes, Checking accounts, Premier and Premier Plus Money Market accounts.

Strategy Implementation

Based on the 2002 marketing objectives, the following strategies have been developed to help us meet the objectives:

Increase Focus on Member Education

- Provide at least three educational articles in Community Connection, create an online version for our web site and push this information to members via email.
- Offer educational seminars at least quarterly at the main branch on the following topics:
 - o Financial Planning

- o Long Term Insurance
- o Home Buying
- o Car Buying
- o Computer, Internet Usage and Security
- Continue to update information and links from the web site
- Market the Education Center through MEMBERS Financial Network

Continue to Enhance the Web Site and Internet 24

- Add online applications to Internet 24 so members can change their address and place a stop payment online
- Add online lending to provide members with instant approval when applying for a loan online
- Increase the communication efforts regarding MEMBERS Financial Network, and target potential users for MEMBERS folio
- Research Account Aggregation through Digital Insight and CUNA Mutual Group
- Consider implementing wireless technology for members' remote access to their accounts/information in the third quarter of 2002.

Increase Internet 24 and Bill Payment Usage by 20%

- Target members who offer the lowest resistance to using the Internet and other electronic services (heavy ATM users)
- Continue to provide ongoing training on Internet 24 and Bill payment to employees to increase their knowledge of these products.
- Relentlessly market the benefits of Internet 24, with focus on safety and security.
- Encourage staff to sign all new members up on Internet 24 and give a demonstration during the new account process.
- Provide hands-on educational sessions to educate members on the ease of use and security issues.
- Distribute a direct mail piece that step by step teaches the use of Internet 24 and Bill Payment.
- Target potential bill payment users on a regular basis through the Internet 24 sign on screen, email and direct mail.

Increase Efforts to Attract Youth (Age 0 to 18) Through Boom! and Planet M Programs

- Develop and distribute direct mailing campaigns to youth, parents and grandparents.

- Develop special products that appeal to youth (checking, my first auto loan)
- Send quarterly Boom! and Planet M newsletters to members in their statements, which educates the youth and their parents.
- Team teach the National Endowment Financial Education (NEFE) course at San Geronio High School in Spring 2002.

Continue to Focus Marketing Efforts on Attracting Loans

- Offer a refinance promotion to attract used auto loans from other financial service providers.
- Continue to use Credit Union Direct Lending (CUDL) as a source for auto loans and new members.
- Co-sponsor quarterly car sales and advertise in the community.
- Send qualified members auto loan pre-approval certificates at least quarterly.
- Continue to price loans competitively and will meet or beat rates if necessary.

Increase Business Development Activities with
Select Employer Groups and the Community through
Qualified Account Executives

- Join the Business Development Network through the California Credit Union League.
- Develop a presentation that can be presented to current and potential Select Employer Groups
- Participate in open enrollments at current SEGs on a monthly basis
- Participate in community events on a quarterly basis (business expos, showcases)
- Attend Chamber of Commerce meetings.

Increase Marketing Communications on the use of
Convenience Services

- Develop statement inserts highlighting the CO-OP Network, web address and phone number to assist members in finding a CO-OP Network ATM near them.
- Highlight CO-OP Network in Community Connection on a monthly basis.
- Develop statement inserts highlighting CU Service Center locations within communities where our members reside.
- Highlight CU Service Center locations in Community Connection on a monthly basis.

Continue to Monitor the Service Provided to
Members

- Survey random members who open a new account, receive a new loan, or perform transactions in person or over the phone.
- Conduct periodic surveys via the web site to rate its effectiveness, monitor members' attitudes about e-commerce and new products and services.
- Mystery-shop each branch at least twice during 2002.
- CU Service Centers and the telephone center (Member Service Center) will be "shopped" at least quarterly by Financial Services Centers Cooperative, Inc.
- Call top members on a quarterly basis to offer special promotions, rates, services, and thank them for their valued business.

Begin Developing and Implementing and Sales and
Service Culture

- Provide Service training to all staff.
- Develop and provide Sales Coaching training for managers.

- Form an ad-hoc committee with representation from all areas of the credit union to develop a plan for sales and service
- Develop internal/external service standards with employees
- Begin to benchmark selling.
- Determine how to measure sales.
- Provide sales training for front line; service training for support staff.

Conclusion

In order to accomplish the marketing objectives stated above, quarterly performance and goal review meetings for Marketing positions will be held with the President/CEO. Together, the progress will be evaluated to ensure the appropriate resources are available to achieve the credit union's goals fulfill the objectives. As the business environment changes, adjustments to the objectives will be made in order to respond to the changing environment.

The year 2002 will be another exciting, challenging year for Norton Community Credit Union. With the positive growth, the continued commitment to quality member service and the staff, the dedication to business development and

marketing, the new presence in Redlands and San Bernardino, plus the completion of the Yucaipa branch, 2002 will be another year of growth and prosperity.

APPENDIX A
QUESTIONNAIRE RESULTS

Frequencies

	Statistics		
	N Valid	Missing	Mean
How long have you been a member-owner of Norton Community Credit Union?	397	0	3.02
In general, how satisfied are you with the service provided at Norton Community Credit Union?	397	0	1.46
How has your level of satisfaction with Norton Community Credit Union changed over the last 12 months?	397	0	1.67
How important to you is each of the following characteristics or factors when doing business with Norton Community Credit Union (NCCU)?	0	397	-
Convenient Locations	397	0	2.13
Cleanliness of the branch	397	0	2.34
Number of branches	397	0	2.93
Branch hours	397	0	2.25
Drive-up ATMs/Tellers	397	0	3.44
Competitive savings rates	397	0	1.62
Competitive loan rates	397	0	1.84
Low cost/low fees	397	0	1.38
Quality telephone service	397	0	1.81
Internet Banking services	397	0	3.46
Low cost/free checking	397	0	2.17
ATM/VISA Check Card Access	397	0	2.88
Safe Deposit Boxes	397	0	3.75
Friendly/knowledgeable staff	397	0	1.54
Accuracy in completing transactions	397	0	1.25
Availability of products and services	397	0	1.92
Availability of Web Site	397	0	3.40
Financial education/information	397	0	2.71
Security/safety	397	0	1.44
Which branch do you visit most?	397	0	2.81
Do you have access to a personal computer/Internet (home or work)?	397	0	1.35
Do you use your computer/Internet for free access your NCCU accounts or to pay bills via Internet 24?	397	0	1.18
If not, why?	397	0	-
How do you conduct your financial business and/or transactions with NCCU?	0	397	-
ATMs	397	0	1.62
Automatic Payment/Direct Deposit	397	0	1.48
Branches	397	0	1.22
Internet Banking (Internet 24)	397	0	1.72
Telephone (with employee)	397	0	1.46
Telephone (Audio 24 account access)	397	0	1.70
Other	397	0	-
Who do you receive a majority of your financial information/education from?	397	0	4.64
Other	397	0	-
How would you rate NCCU as an unbiased source for financial information or education?	397	0	3.84
What do you like most about Norton Community Credit Union?	397	0	-
What do you like least about Norton Community Credit Union?	397	0	-
What products/services/or aspects of Norton Community Credit	397	0	-

	N Valid	Missing	Mean
Union would you like to see changed or added to "improve members' financial lives?"			
Gender?	397	0	1.44
In which of the following age groups would you place yourself?	397	0	4.52
Which of the following categories best describes your educational accomplishment?	397	0	3.39
Your occupation is:	397	0	4.31
Other	397	0	-
Which of the following best characterizes your ethnic background?	397	0	3.36
Which of the following income levels best characterizes your total household income for the year 2000?	397	0	3.98
Marital Status?	397	0	2.13
Where do you live?	6	391	.00
City	397	0	
Zip Code	397	0	

Statistics (cont)

	Median	Mode	Std. Deviation	Variance
How long have you been a member-owner of Norton Community Credit Union?	4.00	4	1.31	1.71
In general, how satisfied are you with the service provided at Norton Community Credit Union?	1.00	1	.65	.43
How has your level of satisfaction with Norton Community Credit Union changed over the last 12 months?	2.00	2	.63	.40
How important to you is each of the following characteristics or factors when doing business with Norton Community Credit Union (NCCU)?	-	-	-	-
Convenient Locations	1.00	1	1.92	3.70
Cleanliness of the branch	2.00	1	1.87	3.48
Number of branches	3.00	1	2.08	4.34
Branch hours	2.00	1	1.85	3.44
Drive-up ATMs/Tellers	3.00	1	2.49	6.18
Competitive savings rates	1.00	1	1.49	2.22
Competitive loan rates	1.00	1	1.74	3.03
Low cost/low fees	1.00	1	1.17	1.37
Quality telephone service	1.00	1	1.47	2.15
Internet Banking services	3.00	7	2.38	5.67
Low cost/free checking	1.00	1	2.83	7.98
ATM/VISA Check Card Access	2.00	1	2.42	5.87
Safe Deposit Boxes	4.00	7	2.50	6.25
Friendly/knowledgeable staff	1.00	1	1.20	1.44
Accuracy in completing transactions	1.00	1	.94	.89
Availability of products and services	1.00	1	1.53	2.34
Availability of Web Site	3.00	7	2.41	5.81
Financial education/information	2.00	1	2.07	4.30
Security/safety	1.00	1	1.21	1.46
Which branch do you visit most?	3.00	3	1.36	1.85
Do you have access to a personal computer/Internet (home or work)?	1.00	1	.50	.25
Do you use your computer/Internet for free access your NCCU accounts or to pay bills via	2.00	2	.90	.81

	Median	Mode	Std. Deviation	Variance
Internet 24?				
If not, why?	-	-	-	-
How do you conduct your financial business and/or transactions with NCCU?	-	-	-	-
ATMs	2.00	2	.64	.41
Automatic Payment/Direct Deposit	2.00	2	.65	.42
Branches	1.00	1	.58	.34
Internet Banking (Internet 24)	2.00	2	.61	.37
Telephone (with employee)	2.00	2	.64	.42
Telephone (Audio 24 account access)	2.00	2	.61	.37
Other	-	-	-	-
Who do you receive a majority of your financial information/education from?	6.00	6	2.21	4.88
Other	-	-	-	-
How would you rate NCCU as an unbiased source for financial information or education?	3.00	8	2.80	7.84
What do you like most about Norton Community Credit Union?	-	-	-	-
What do you like least about Norton Community Credit Union?	-	-	-	-
What products/services/or aspects of Norton Community Credit Union would you like to see changed or added to "improve members' financial lives?"	-	-	-	-
Gender?	1.00	1	.51	.26
In which of the following age groups would you place yourself?	5.00	6	1.46	2.12
Which of the following categories best describes your educational accomplishment?	3.00	3	1.07	1.15
Your occupation is:	6.00	6	2.45	6.02
Other	-	-	-	-
Which of the following best characterizes your ethnic background?	4.00	4	1.13	1.29
Which of the following income levels best characterizes your total household income for the year 2000?	4.00	5	1.64	2.70
Marital Status?	2.00	2	.85	.72
Where do you live?	.00	0	.00	.00
City				
Zip Code				

Frequency Table

How long have you been a member-owner of Norton Community Credit Union?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	No Response	9	2.3	2.3	2.3
	Less than 3	83	20.9	20.9	23.2
	3 - 5	33	8.3	8.3	31.5
	6 - 10	40	10.1	10.1	41.6
	More than 10	232	58.4	58.4	100.0
	Total	397	100.0	100.0	

In general, how satisfied are you with the service provided at Norton Community Credit Union?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	No Response	9	2.3	2.3	2.3
	Very Satisfied	216	54.4	54.4	56.7
	Satisfied	156	39.3	39.3	96.0
	Dissatisfied	11	2.8	2.8	98.7
	Very dissatisfied	5	1.3	1.3	100.0
	Total	397	100.0	100.0	

How has your level of satisfaction with Norton Community Credit Union changed over the last 12 months?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	No Response	13	3.3	3.3	3.3
	Increased	128	32.2	32.2	35.5
	Stayed the Same	234	58.9	58.9	94.5
	Decreased	22	5.5	5.5	100.0
	Total	397	100.0	100.0	

How important to you is each of the following characteristics or factors when doing business with Norton Community Credit Union (NCCU)?

		Frequency	Percent
Missing	System	397	100.0

Convenient Locations

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	No Response	15	3.8	3.8	3.8
	Very Important	230	57.9	57.9	61.7
	2	41	10.3	10.3	72.0
	3	34	8.6	8.6	80.6
	4	31	7.8	7.8	88.4
	5	4	1.0	1.0	89.4
	6	7	1.8	1.8	91.2
	Not at all important	35	8.8	8.8	100.0
	Total	397	100.0	100.0	

Cleanliness of the branch

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	No Response	19	4.8	4.8	4.8
	Very Important	166	41.8	41.8	46.6
	2	76	19.1	19.1	65.7
	3	50	12.6	12.6	78.3
	4	39	9.8	9.8	88.2
	5	9	2.3	2.3	90.4
	6	6	1.5	1.5	91.9
	Not at all important	32	8.1	8.1	100.0
	Total	397	100.0	100.0	

Number of branches

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	No Response	26	6.5	6.5	6.5
	Very Important	105	26.4	26.4	33.0
	2	66	16.6	16.6	49.6
	3	53	13.4	13.4	63.0
	4	73	18.4	18.4	81.4
	5	15	3.8	3.8	85.1
	6	11	2.8	2.8	87.9
	Not at all important	48	12.1	12.1	100.0
	Total	397	100.0	100.0	

Branch hours

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	No Response	20	5.0	5.0	5.0
	Very Important	178	44.8	44.8	49.9
	2	72	18.1	18.1	68.0
	3	48	12.1	12.1	80.1
	4	35	8.8	8.8	88.9
	5	6	1.5	1.5	90.4
	6	7	1.8	1.8	92.2
	Not at all important	31	7.8	7.8	100.0
	Total	397	100.0	100.0	

Drive-up ATMs/Tellers

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	No Response	35	8.8	8.8	8.8
	Very Important	93	23.4	23.4	32.2
	2	53	13.4	13.4	45.6
	3	33	8.3	8.3	53.9
	4	49	12.3	12.3	66.2
	5	23	5.8	5.8	72.0
	6	19	4.8	4.8	76.8
	Not at all important	92	23.2	23.2	100.0
	Total	397	100.0	100.0	

Competitive savings rates

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	No Response	16	4.0	4.0	4.0
	Very Important	276	69.5	69.5	73.6
	2	48	12.1	12.1	85.6
	3	22	5.5	5.5	91.2
	4	10	2.5	2.5	93.7
	5	5	1.3	1.3	95.0
	6	1	.3	.3	95.2
	Not at all important	19	4.8	4.8	100.0
	Total	397	100.0	100.0	

Competitive loan rates

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	No Response	27	6.8	6.8	6.8
	Very Important	237	59.7	59.7	66.5
	2	52	13.1	13.1	79.6
	3	25	6.3	6.3	85.9
	4	18	4.5	4.5	90.4
	5	8	2.0	2.0	92.4
	6	6	1.5	1.5	94.0
	Not at all important	24	6.0	6.0	100.0
	Total	397	100.0	100.0	

Low cost/low fees

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	No Response	23	5.8	5.8	5.8
	Very Important	294	74.1	74.1	79.8
	2	38	9.6	9.6	89.4
	3	21	5.3	5.3	94.7
	4	10	2.5	2.5	97.2
	5	1	.3	.3	97.5
	6	1	.3	.3	97.7
	Not at all important	9	2.3	2.3	100.0
	Total	397	100.0	100.0	

Quality telephone service

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	No Response	21	5.3	5.3	5.3
	Very Important	216	54.4	54.4	59.7
	2	77	19.4	19.4	79.1
	3	34	8.6	8.6	87.7
	4	27	6.8	6.8	94.5
	5	5	1.3	1.3	95.7
	6	5	1.3	1.3	97.0
	Not at all important	12	3.0	3.0	100.0
	Total	397	100.0	100.0	

Internet Banking services

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	No Response	36	9.1	9.1	9.1
	Very Important	80	20.2	20.2	29.2
	2	46	11.6	11.6	40.8
	3	48	12.1	12.1	52.9
	4	56	14.1	14.1	67.0
	5	34	8.6	8.6	75.6
	6	15	3.8	3.8	79.3
	Not at all important	82	20.7	20.7	100.0
	Total	397	100.0	100.0	

Low cost/free checking

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	No Response	30	7.6	7.6	7.6
	Very Important	225	56.7	56.7	64.2
	2	48	12.1	12.1	76.3
	3	18	4.5	4.5	80.9
	4	22	5.5	5.5	86.4
	5	5	1.3	1.3	87.7
	6	5	1.3	1.3	88.9
	Not at all important	43	10.8	10.8	99.7
	41	1	.3	.3	100.0
	Total	397	100.0	100.0	

ATM/VISA Check Card Access

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	No Response	39	9.8	9.8	9.8
	Very Important	135	34.0	34.0	43.8
	2	56	14.1	14.1	57.9
	3	32	8.1	8.1	66.0
	4	36	9.1	9.1	75.1
	5	11	2.8	2.8	77.8
	6	15	3.8	3.8	81.6
	Not at all important	73	18.4	18.4	100.0
	Total	397	100.0	100.0	

Safe Deposit Boxes

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	No Response	50	12.6	12.6	12.6
	Very Important	46	11.6	11.6	24.2
	2	48	12.1	12.1	36.3
	3	44	11.1	11.1	47.4
	4	63	15.9	15.9	63.2
	5	20	5.0	5.0	68.3
	6	21	5.3	5.3	73.6
	Not at all important	105	26.4	26.4	100.0
	Total	397	100.0	100.0	

Friendly/knowledgeable staff

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	No Response	18	4.5	4.5	4.5
	Very Important	252	63.5	63.5	68.0
	2	76	19.1	19.1	87.2
	3	28	7.1	7.1	94.2
	4	11	2.8	2.8	97.0
	5	2	.5	.5	97.5
	6	1	.3	.3	97.7
	Not at all important	9	2.3	2.3	100.0
	Total	397	100.0	100.0	

Accuracy in completing transactions

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	No Response	18	4.5	4.5	4.5
	Very Important	318	80.1	80.1	84.6
	2	36	9.1	9.1	93.7
	3	12	3.0	3.0	96.7
	4	6	1.5	1.5	98.2
	5	1	.3	.3	98.5
	6	1	.3	.3	98.7
	Not at all important	5	1.3	1.3	100.0
	Total	397	100.0	100.0	

Availability of products and services

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	No Response	28	7.1	7.1	7.1
	Very Important	189	47.6	47.6	54.7
	2	74	18.6	18.6	73.3
	3	54	13.6	13.6	86.9
	4	29	7.3	7.3	94.2
	5	5	1.3	1.3	95.5
	6	4	1.0	1.0	96.5
	Not at all important	14	3.5	3.5	100.0
	Total	397	100.0	100.0	

Availability of Web Site

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	No Response	42	10.6	10.6	10.6
	Very Important	78	19.6	19.6	30.2
	2	46	11.6	11.6	41.8
	3	50	12.6	12.6	54.4
	4	61	15.4	15.4	69.8
	5	18	4.5	4.5	74.3
	6	20	5.0	5.0	79.3
	Not at all important	82	20.7	20.7	100.0
	Total	397	100.0	100.0	

Financial education/information

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	No Response	39	9.8	9.8	9.8
	Very Important	115	29.0	29.0	38.8
	2	58	14.6	14.6	53.4
	3	58	14.6	14.6	68.0
	4	57	14.4	14.4	82.4
	5	18	4.5	4.5	86.9
	6	13	3.3	3.3	90.2
	Not at all important	39	9.8	9.8	100.0
	Total	397	100.0	100.0	

Security/safety

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	No Response	18	4.5	4.5	4.5
	Very Important	289	72.8	72.8	77.3
	2	47	11.8	11.8	89.2
	3	16	4.0	4.0	93.2
	4	12	3.0	3.0	96.2
	5	6	1.5	1.5	97.7
	Not at all important	9	2.3	2.3	100.0
	Total	397	100.0	100.0	

Which branch do you visit most?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	No Response	5	1.3	1.3	1.3
	Highland	73	18.4	18.4	19.6
	Redlands	84	21.2	21.2	40.8
	San Bernardino	147	37.0	37.0	77.8
	CU Service Centers	8	2.0	2.0	79.8
	Don't visit branches	80	20.2	20.2	100.0
	Total	397	100.0	100.0	

Do you have access to a personal computer/Internet (home or work)?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	No Response	4	1.0	1.0	1.0
	Yes	251	63.2	63.2	64.2
	No	142	35.8	35.8	100.0
	Total	397	100.0	100.0	

Do you use your computer/Internet for free access your NCCU accounts or to pay bills via Internet 24?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	No Response	132	33.2	33.2	33.2
	Yes	62	15.6	15.6	48.9
	No	203	51.1	51.1	100.0
	Total	397	100.0	100.0	

If not, why?

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid	292	73.6	73.6	73.6
Call employees	1	.3	.3	73.8
Can't from work	1	.3	.3	74.1
Didn't know	10	2.5	2.5	76.6
Difficult to get PIN	1	.3	.3	76.8
Don't know	1	.3	.3	77.1
Don't Know Computers	1	.3	.3	77.3
Don't know how	2	.5	.5	77.8
Don't need	21	5.3	5.3	83.1
Don't pay bills	1	.3	.3	83.4
Haven't tried it	2	.5	.5	83.9
Just learning comp	1	.3	.3	84.1
Like using branches	1	.3	.3	84.4
Never Tried It	2	.5	.5	84.9
No access	1	.3	.3	85.1
No Checking	2	.5	.5	85.6
No checking acct	1	.3	.3	85.9
No computer	1	.3	.3	86.1
No Computer	2	.5	.5	86.6
No excuse	2	.5	.5	87.2
No Internet	2	.5	.5	87.7
No Time	1	.3	.3	87.9
Not a big account	1	.3	.3	88.2
Not convenient	1	.3	.3	88.4
Not Tried	1	.3	.3	88.7
Old fashioned	1	.3	.3	88.9
Pay by check	9	2.3	2.3	91.2
Personal choice	1	.3	.3	91.4
Personal contact	1	.3	.3	91.7
Privacy	1	.3	.3	91.9
Savings only	2	.5	.5	92.4
Security	13	3.3	3.3	95.7
Training	1	.3	.3	96.0
Trust	13	3.3	3.3	99.2
Use Branch	1	.3	.3	99.5
Uses Phone	1	.3	.3	99.7
Will do in future	1	.3	.3	100.0
Total	397	100.0	100.0	

**How do you conduct your financial business
and/or transactions with NCCU?**

	Frequency	Percent
Missing System	397	100.0

ATMs

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid No Response	34	8.6	8.6	8.6
Yes	82	20.7	20.7	29.2
2	281	70.8	70.8	100.0
Total	397	100.0	100.0	

Automatic Payment/Direct Deposit

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid No Response	33	8.3	8.3	8.3
Yes	140	35.3	35.3	43.6
No	224	56.4	56.4	100.0
Total	397	100.0	100.0	

Branches

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid No Response	32	8.1	8.1	8.1
Yes	244	61.5	61.5	69.5
No	121	30.5	30.5	100.0
Total	397	100.0	100.0	

Internet Banking (Internet 24)

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid No Response	34	8.6	8.6	8.6
Yes	43	10.8	10.8	19.4
No	320	80.6	80.6	100.0
Total	397	100.0	100.0	

Telephone (with employee)

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	No Response	33	8.3	8.3	8.3
	Yes	147	37.0	37.0	45.3
	No	217	54.7	54.7	100.0
	Total	397	100.0	100.0	

Telephone (Audio 24 account access)

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	No Response	32	8.1	8.1	8.1
	Yes	54	13.6	13.6	21.7
	No	311	78.3	78.3	100.0
	Total	397	100.0	100.0	

Other

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid		386	97.2	97.2	97.2
	Mail	11	2.8	2.8	100.0
	Total	397	100.0	100.0	

Who do you receive a majority of your financial information/education from?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	No Response	22	5.5	5.5	5.5
	Auto Club	12	3.0	3.0	8.6
	Bank	62	15.6	15.6	24.2
	Brokerage Company	45	11.3	11.3	35.5
	Insurance Company	15	3.8	3.8	39.3
	Internet	23	5.8	5.8	45.1
	Norton Community Credit Union	128	32.2	32.2	77.3
	Other	90	22.7	22.7	100.0
	Total	397	100.0	100.0	

Other

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid	331	83.4	83.4	83.4
401 at work	1	.3	.3	83.6
Advisors	1	.3	.3	83.9
All of the above	2	.5	.5	84.4
Arrowhead CU	1	.3	.3	84.6
Arrowhead FG	1	.3	.3	84.9
Banking experience	1	.3	.3	85.1
Books	2	.5	.5	85.6
Business news servic	1	.3	.3	85.9
Co-workers	1	.3	.3	86.1
Daughter	1	.3	.3	86.4
Financial advisor	2	.5	.5	86.9
Financial Advisor	1	.3	.3	87.2
Financial Manager	1	.3	.3	87.4
Financial newsletter	1	.3	.3	87.7
Friend	1	.3	.3	87.9
Local bank	1	.3	.3	88.2
Magazines	3	.8	.8	88.9
Mail	1	.3	.3	89.2
Media	1	.3	.3	89.4
Money Magazine	1	.3	.3	89.7
Mutual funds	1	.3	.3	89.9
Mutual Funds	1	.3	.3	90.2
My husband	1	.3	.3	90.4
Myself	1	.3	.3	90.7
NARFE	1	.3	.3	90.9
Newspaper	1	.3	.3	91.2
News	1	.3	.3	91.4
Newspaper	10	2.5	2.5	94.0
Newspapers	1	.3	.3	94.2
Newsweek	1	.3	.3	94.5
None	4	1.0	1.0	95.5
Oak Ridge Natl CU	1	.3	.3	95.7
Publications	1	.3	.3	96.0
Radio	1	.3	.3	96.2
Reading	1	.3	.3	96.5
Roommate	1	.3	.3	96.7
School	1	.3	.3	97.0
Self	1	.3	.3	97.2
Self employed bus	1	.3	.3	97.5
Self study	1	.3	.3	97.7
State Employees CRDU	1	.3	.3	98.0
Telephone employee	1	.3	.3	98.2
TV	1	.3	.3	98.5
USAA	1	.3	.3	98.7
Various	2	.5	.5	99.2
Wall Street Journal	1	.3	.3	99.5
Work	2	.5	.5	100.0
Total	397	100.0	100.0	

How would you rate NCCU as an unbiased source for financial information or education?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	No Response	21	5.3	5.3	5.3
	Excellent	87	21.9	21.9	27.2
	2	59	14.9	14.9	42.1
	3	51	12.8	12.8	54.9
	4	48	12.1	12.1	67.0
	5	18	4.5	4.5	71.5
	6	7	1.8	1.8	73.3
	Poor	5	1.3	1.3	74.6
	Don't Know	101	25.4	25.4	100.0
	Total	397	100.0	100.0	

What do you like most about Norton Community Credit Union?

Valid	Frequency	Percent	Valid Percent	Cumulative Percent
Accessibility	83	20.9	20.9	20.9
Always there for us	12	3.0	3.0	23.9
ATM/debit card	1	.3	.3	24.2
Automatic payment	1	.3	.3	24.4
Availability	1	.3	.3	24.7
Certificate rates	1	.3	.3	24.9
Convenience	2	.5	.5	25.4
CU	11	2.8	2.8	28.2
Dependability	2	.5	.5	28.7
Dependable	1	.3	.3	29.0
Direct deposit	1	.3	.3	29.2
Drive up ATMs	1	.3	.3	29.5
Drive up window/ATM	1	.3	.3	29.7
Everything	1	.3	.3	30.0
Excellent	3	.8	.8	30.7
Free checking	1	.3	.3	31.0
Friendly Staff	3	.8	.8	31.7
Helpful with loans	1	.3	.3	32.0
Higher rates	1	.3	.3	32.2
Honesty	1	.3	.3	32.5
Interest	1	.3	.3	32.7
Interest checking	1	.3	.3	33.0
Interest rates	1	.3	.3	33.2
Internet	1	.3	.3	33.5
Internet access	1	.3	.3	33.8
Internet Access	1	.3	.3	34.0
Loan rate	1	.3	.3	34.3
Loan rates	1	.3	.3	34.5
Location	15	3.8	3.8	38.3
Low cost	38	9.6	9.6	47.9
Low cost checking	1	.3	.3	48.1
Low cost, Free checking	1	.3	.3	48.4
Low cost, Free checking	1	.3	.3	48.6
Low fees	1	.3	.3	48.9
Mail	1	.3	.3	49.1
Member owned	2	.5	.5	49.6
New building	4	1.0	1.0	50.6
New building	1	.3	.3	50.9
New management	1	.3	.3	51.1
Personal Tellers	1	.3	.3	51.4
Rates	40	10.1	10.1	61.5
Reliable	2	.5	.5	62.0
Safety	2	.5	.5	62.5
Savings rates	2	.5	.5	63.0
Security	3	.8	.8	63.7
Service	54	13.6	13.6	77.3
Services	1	.3	.3	77.6
Short lines	1	.3	.3	77.8
Size of CU	1	.3	.3	78.1
Stability	1	.3	.3	78.3
Staff	84	21.2	21.2	99.5
Statements	1	.3	.3	99.7
Trust	1	.3	.3	100.0
Total	397	100.0	100.0	

Gender?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	No Response	2	.5	.5	.5
	Male	220	55.4	55.4	55.9
	Female	175	44.1	44.1	100.0
	Total	397	100.0	100.0	

In which of the following age groups would you place yourself?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	No Response	2	.5	.5	.5
	18 to 24	10	2.5	2.5	3.0
	25 to 34	27	6.8	6.8	9.8
	35 to 44	67	16.9	16.9	26.7
	45 to 54	68	17.1	17.1	43.8
	55 to 64	81	20.4	20.4	64.2
	Over 65 Years	142	35.8	35.8	100.0
	Total	397	100.0	100.0	

Which of the following categories best describes your educational accomplishment?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	No Response	3	.8	.8	.8
	Did not complete High School	10	2.5	2.5	3.3
	High School Graduate	51	12.8	12.8	16.1
	Some College	178	44.8	44.8	61.0
	College graduate	77	19.4	19.4	80.4
	Postgraduate work	76	19.1	19.1	99.5
	6	2	.5	.5	100.0
	Total	397	100.0	100.0	

Your occupation is:

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	No Response	5	1.3	1.3	1.3
	Professional	89	22.4	22.4	23.7
	Manager	36	9.1	9.1	32.7
	White-Collar	24	6.0	6.0	38.8
	Blue-Collar	20	5.0	5.0	43.8
	Skilled Labor	20	5.0	5.0	48.9
	Retired	170	42.8	42.8	91.7
	Student	2	.5	.5	92.2
	Homemaker	13	3.3	3.3	95.5
	Other	18	4.5	4.5	100.0
	Total	397	100.0	100.0	

Other

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid		382	96.2	96.2	96.2
	Air Force	1	.3	.3	96.5
	Business Owner	1	.3	.3	96.7
	Clerical	1	.3	.3	97.0
	Data Entry	1	.3	.3	97.2
	Disabled	2	.5	.5	97.7
	Environmental tech	1	.3	.3	98.0
	Investigator	1	.3	.3	98.2
	Law enforcement	1	.3	.3	98.5
	Military	2	.5	.5	99.0
	Self-Employed	1	.3	.3	99.2
	Self employed	2	.5	.5	99.7
	Social Worker	1	.3	.3	100.0
	Total	397	100.0	100.0	

Which of the following best characterizes your ethnic background?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	No Response	10	2.5	2.5	2.5
	African American	41	10.3	10.3	12.8
	Asian/Pacific Islander	19	4.8	4.8	17.6
	Hispanic/Latino	60	15.1	15.1	32.7
	White/Caucasian\	260	65.5	65.5	98.2
	Other	7	1.8	1.8	100.0
	Total	397	100.0	100.0	

Which of the following income levels best characterizes your total household income for the year 2000?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	No Response	25	6.3	6.3	6.3
	Less than 10k	9	2.3	2.3	8.6
	10k to 19.9k	27	6.8	6.8	15.4
	20k to 34.9k	75	18.9	18.9	34.3
	35k to 49.9k	90	22.7	22.7	56.9
	50k to 74.9k	93	23.4	23.4	80.4
	75k or more	78	19.6	19.6	100.0
	Total	397	100.0	100.0	

Marital Status?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	No Response	5	1.3	1.3	1.3
	Single	64	16.1	16.1	17.4
	Married	245	61.7	61.7	79.1
	Divorced	41	10.3	10.3	89.4
	Widowed	42	10.6	10.6	100.0
	Total	397	100.0	100.0	

Where do you live?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	No Response	6	1.5	100.0	100.0
Missing	System	391	98.5		
Total		397	100.0		

APPENDIX B
QUESTIONNAIRE

September 26, 2001

Dear Valued Member:

We are in the process of planning for your credit union's future and need your help.

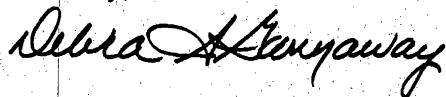
By taking a few minutes to complete this questionnaire, you will help us determine your opinions about our products and services, and help us assess our ability to meet your financial needs.

Because only a small number of members have been randomly selected to participate, **your response is vital to the success of this study.** Your answers will be completely confidential because we are not requesting your name.

Please complete and return this survey in the enclosed postage-paid envelope by **October 15, 2001**, and we will donate \$1 to the American Red Cross.

We appreciate your time and thank you for your assistance.

Sincerely,

A handwritten signature in cursive script that reads "Debra Gannaway".

Debra Gannaway
President/CEO

NORTON COMMUNITY CREDIT UNION MEMBER SURVEY

1. How long have you been a member-owner of Norton Community Credit Union? (**✓ One Box**)
 - ☐ Less than three years
 - ☐ Three to five years
 - ☐ Six to ten years
 - ☐ More than ten years

2. In general, how satisfied are you with the service provided at Norton Community Credit Union? (**✓ One Box**)
 - ☐ Very satisfied
 - ☐ Satisfied
 - ☐ Dissatisfied
 - ☐ Very dissatisfied

3. How has your level of satisfaction with Norton Community Credit Union changed over the last 12 months? (**✓ One Box**)
 - ☐ Increased
 - ☐ Stayed the same
 - ☐ Decreased

4. How important to you is each of the following characteristics or factors when doing business with Norton Community Credit Union (NCCU)? Please use a scale of 1 to 7, with 1 being very important and 7 being not at all important.
Please circle the number (only one number) that best represents your rating for each factor:

	Very Important				Not at all important			
Convenient locations	1	2	3	4	5	6	7	
Cleanliness of the branch	1	2	3	4	5	6	7	
Number of branches	1	2	3	4	5	6	7	
Branch hours	1	2	3	4	5	6	7	
Drive-up ATMs/Tellers	1	2	3	4	5	6	7	
Competitive savings rates	1	2	3	4	5	6	7	
Competitive loan rates	1	2	3	4	5	6	7	
Low cost/low fees	1	2	3	4	5	6	7	
Quality telephone service	1	2	3	4	5	6	7	
Internet Banking services	1	2	3	4	5	6	7	
Low cost/free checking	1	2	3	4	5	6	7	
ATM/VISA Check Card Access	1	2	3	4	5	6	7	
Safe Deposit Boxes	1	2	3	4	5	6	7	
Friendly/knowledgeable staff	1	2	3	4	5	6	7	
Accuracy in completing transactions	1	2	3	4	5	6	7	
Availability of products & services	1	2	3	4	5	6	7	

Availability of Web Site	1	2	3	4	5	6	7
Financial education/information	1	2	3	4	5	6	7
Security/safety	1	2	3	4	5	6	7

5. Which branch do you visit most? (**✓One Box**)
 - ☐ Highland
 - ☐ Redlands
 - ☐ San Bernardino
 - ☐ CU Service Centers
 - ☐ Don't visit branches

6. Do you have access to a personal computer/Internet (home and/or work)? (**✓One Box**)
 - ☐ Yes
 - ☐ No, skip to question 8.

7. Do you use your computer/Internet for free access your NCCU accounts or to pay bills via Internet 24? (**✓One Box**)
 - ☐ Yes
 - ☐ No. If no, why? _____

8. How do you conduct your financial business and/or transactions with NCCU? (**✓all that apply**)
 - ☐ ATMs
 - ☐ Automatic Payment/Direct Deposit
 - ☐ Branches
 - ☐ Internet Banking (Internet 24)
 - ☐ Telephone (with employee)
 - ☐ Telephone (Audio 24 account access)

9. Who do you receive a majority of your financial information/education from? (**✓One Box**)
 - ☐ Auto Club
 - ☐ Bank
 - ☐ Brokerage Company
 - ☐ Insurance Company
 - ☐ Internet
 - ☐ Norton Community Credit Union
 - ☐ Other: _____

10. How would you rate NCCU as an unbiased source for financial information or education? **(Please circle the number that best represents your rating, with 1 being excellent and 7 being poor):**

Excellent Poor Don't Know
1 2 3 4 5 6 7 8

11. What do you like most about Norton Community Credit Union?

12. What do you like least about Norton Community Credit Union?

13. What products/services/or aspects of Norton Community Credit Union would you like to see changed or added to "improve our members' financial lives."

Now please tell us about you:

14. Gender? (✓ **One Box**) ☐ Male ☐ Female

15. In which of the following age groups would you place yourself? (✓ **One Box**)

- ☐ 18 to 24 ☐ 45 to 54
☐ 25 to 34 ☐ 55 to 64
☐ 35 to 44 ☐ Over 65 years

16. Which of the following categories best describes your educational accomplishment? (✓ **One Box**)

- ☐ Did not complete High School
☐ High school graduate
☐ Some college
☐ College graduate
☐ Postgraduate work

17. Your occupation is: (✓ **One Box**)
- ☐ Professional
 - ☐ Manager
 - ☐ White-collar
 - ☐ Blue-collar
 - ☐ Skilled labor
 - ☐ Retired
 - ☐ Student
 - ☐ Homemaker
 - ☐ Other, please specify: _____
18. Which of the following best characterizes your ethnic background? (✓ **One Box**)
- ☐ African American
 - ☐ Asian/Pacific Islander
 - ☐ Hispanic/Latino
 - ☐ White/Caucasian
 - ☐ Other, please specify: _____
19. Which of the following income levels best characterizes your total household income for the year 2000? (✓ **One Box**)
- ☐ Less than \$10,000
 - ☐ \$10,000 to \$19,999
 - ☐ \$20,000 to \$34,999
 - ☐ \$35,000 to \$49,999
 - ☐ \$50,000 to \$74,999
 - ☐ \$75,000 or more
20. Marital Status? (✓ **One Box**)
- ☐ Single
 - ☐ Married
 - ☐ Divorced
 - ☐ Widowed
21. Where do you live? City _____ Zip Code _____

Thank you for your help with this survey! Please return it in the enclosed postage-paid envelope.

REFERENCES

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